Tax Compliance Behaviour of Tax Agents: A Comparative Study of Malaysia and New Zealand

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by

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Acknowledgments

Alhamdullilah

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Abstract

Tax agents have important roles in tax systems as both advocates for their clients and intermediaries for the tax authorities. The roles of tax agents are becoming more challenging with the changes in the tax landscape, such as with the implementation of the self-assessment systems (SAS) which transfers more responsibility to taxpayers to comply with their tax obligations and who in turn, rely on tax agents to comply with the tax laws. This study examined some selected factors in understanding the tax agents' tax compliance behaviour by extending the Theory of Planned Behaviour, by including two additional factors namely, ethical sensitivity and culture.

Conducted in the tax jurisdictions of Malaysia and New Zealand, this study is comparative in nature. To understand the tax compliance behaviour of tax agents in this study, a mixed-method approach, combining surveys and semi-structured telephone interviews, was used. In Malaysia, the survey data were collected using a mail survey from a sample of tax agents in public practice whose names were listed on the website of the Malaysian Inland Revenue Board. Online surveys were used to collect responses from a sample of members of the New Zealand Institute of Chartered Accountants (NZICA) whose names were listed as public practitioners on NZICA's website. Descriptive statistics and Partial Least Squares (PLS), a structural equation modeling (SEM) technique, were used to describe and analyze the quantitative data. Transcribing, coding, finding the relevant themes and member checking were used to analyze the qualitative data of the study.

Basically, the results indicate some similarities and some differences between tax agents' compliance behaviour in Malaysia and New Zealand. Consistent with findings from prior studies, the results suggest that attitude towards intention to comply with the tax law was the most influential factor in explaining tax agents' compliance behaviour to tax law in Malaysia and New Zealand in both scenarios of overstating tax expenses and understating income examined in the study. This was followed by ethical sensitivity, which was measured using Rest's (1986) Multidimensional Ethics Scale (MES), as the second influential factor in tax agents' compliance behaviour to tax law. Mixed findings were recorded for culture which was measured using Hofstede's (1980) National Cultural Dimensions and perceived behavioural control. No support, however, was found for subjective norms in the study.

The findings from the survey were elaborated further in the interviews. The interviews with seventeen tax agents in Malaysia and fourteen tax agents from New Zealand provide some interesting findings. While the results of the survey indicate that attitude was found to be the most important factor in tax agents' tax compliance behaviour, the interview findings clarified how tax agents understand attitude. For instance, attitude was interpreted as not only complying with the professional code of ethics, but also, fear towards being penalized, audited and interestingly, fear towards obtaining a bad reputation among the public and peers.

Overall, the findings suggest that noneconomic factors, such as attitudes and ethical sensitivity, can explain the tax compliance behaviour of tax agents in the study. Some economic factors identified for example, amount of risk involved, the trade-off between costs and benefits, and the probability of being penalized,

from the interviews could also potentially explain the tax compliance behaviour of the tax agents in Malaysia and New Zealand who participated in the study.

The findings contribute to the theoretical and practical aspects of understanding the tax compliance behaviour of tax agents in two different countries. In a response to the calls for more cross-cultural research, this study reveals some similarities and differences in the tax compliance behaviour of tax agents in Malaysia and New Zealand which may be helpful in improving our understanding of the ethical decision making of tax agents. The findings from the study also provide some insights into the ethical behaviour of tax agents in Malaysia and New Zealand which may be useful for professional bodies and regulators.

CHAPTER 1

INTRODUCTION AND OVERVIEW

1.0 Introduction

This chapter outlines the overall thesis. The first section of this chapter presents the background of the study, including the roles of tax agents, the justification for conducting the study in the context of Malaysia and New Zealand, a brief discussion on some selected variables used in the study, an overview of the taxation systems in Malaysia and New Zealand and an overview of accounting professions in Malaysia and New Zealand. The remaining part of the chapter explains the research gap, the objectives of the study, research questions, research methods, significance of the research and the thesis organization. The chapter ends with a summary.

1.1 Background

In a modern world, tax systems may perform various functions for a government. The tax system may be used not only for collecting revenue but also as a mechanism to enforce policies, such as encouraging certain activities and discouraging others (Alley & James, 2006). As a result, non-compliance influences not only the amount of revenue being collected, but also affects the implementation of the government policies. Tax compliance issue becomes more critical when the main source of government funding comes significantly from the tax system and the amount of tax collected relies on a self-assessment system (SAS) which requires voluntary compliance. Since non-compliance with the tax law has a

number of consequences, a way to combat the problem of non-compliance is by understanding the factors concerning why people comply or do not comply with the tax law. Tax compliance studies, therefore, provide a platform for understanding tax compliance issues, which explains why research in tax compliance (and non-compliance) has always been an area worthy of exploration.

The concept of what constitutes tax compliance itself needs to be clarified before delving into the issues of tax compliance. A few definitions of tax compliance have been suggested from previous studies, such as: voluntary compliance with the letter and the spirit of the tax law (Alley & James, 2006); timely voluntary payment of the difference between the actual tax due and the amount reported to the tax authority (Andreoni et al., 1998); and the timely filing of tax returns accurately according to the law and settling any tax owed without further enforcement (Singh, 2003). While all these definitions have contributed to understanding tax compliance, this thesis uses a more comprehensive definition commonly accepted in explaining tax compliance (Richardson & Sawyer, 2001) as provided by Roth et al. (1989, p.2) which is:

> *"The taxpayer files all required returns at the proper time and that the returns accurately report all liability in accordance with the Internal Revenue Code, regulations and court decisions applicable at the time the return is filed".*

The above definition suggests that the central tenets in tax compliance are voluntary compliance and timely payment according to the tax law. In reality, however, it is challenging to apply the above definition of tax compliance, for what

is considered to be an acceptable level of complying with the tax law by the tax authority is subjective and varies, as evidenced in the judgments of the Supreme Court of New Zealand such as the cases of *Penny & Hooper v CIR* in New Zealand tax practice (Elliffe, 2011; Sawyer, 2009). Elliffe (2011, p. 466) further argues that the judgments of the Supreme Court and Court of Appeal in the above mentioned case imply that "… an aggressive tax avoidance transaction may converge into criminal tax evasion". Kirchler (2007) argues that in most countries, tax avoidance is considered legal because it is regarded as an attempt to take advantage of the loopholes in the tax system. However, tax evasion, according to Kirchler (2007), is illegal since it has the intention to breach the tax law. Hence, it is important for taxpayers to understand the boundaries between tax avoidance and tax evasion to prevent unnecessary tax litigation on that point or any other circumstances imposed by the tax authority as a result of not complying with the tax law. In this case, the role of tax agents is important to assist their clients in determining these boundaries, despite a view by accountants that while tax evasion is illegal, tax avoidance is not, and the latter is expected as a form of tax planning (Ayers & Ghosh, 1999).

Tax compliance is also translated as taxpayers' willingness to comply with the tax laws and non-compliance is associated with violating the tax laws whether or not it is intentional (Kirchler, 2007). Therefore, tax compliance (and non-compliance) behaviour is the outcome of ethical and unethical decision making process (Singh, 2003). While it is possible to differentiate between ethics and morality in discussing ethical (and unethical) behaviour, the terms ethics and morality are normally used interchangeably (Crane and Matten, 2007). The word

ethics comes from the word *ethos* in Greek which means "customary" or "conventional" (Jardins, 2011). Ethics is defined as a set of moral conduct that differentiates between what is right and what is wrong. It is normally referred as normative ethics: what we ought to do or should do (Beauchamp, Bowie & Arnold, 2009). Morality has similar meanings which can be referred to how we should live which involves looking into principles and rules that help us to decide what we should do (Jardins, 2011).

With regard to the application of the word 'ethics' in taxation, Doyle, Hughes and Glaister (2009) suggest that 'ethics' refer to what we ought to do or should do (normative ethics). Doyle et al. (2009) further suggest that the concept of ethics in taxation now goes beyond exercising normative ethics, whether or not people in the tax system such as taxpayers and tax agents act as what they should do, but also questioning themselves whether or not there is any possibility that the tax authorities will challenge their tax decision. Consistent with the opinion of Crane and Matten (2007), the words 'ethics' and 'morality' are used interchangeably in this thesis. In addition, the use of the term 'ethical decision making' throughout this thesis does not conclusively imply that all decisions being made by tax agents are ethical.

Past studies indicate there is no one definition or terminology to refer to the person who is hired to handle other people's tax and, as a result, various terminologies such as: 'tax practitioner' (Dubin et al., 1992; Tan, 1999); 'tax preparer' (Klepper et al., 1991); 'tax professionals' (Kahle & White, 2004); and 'tax agent' (Mohd Isa, 2012), have been applied to suit the context of the respective studies. Tan and Sawyer (2003), for instance, utilise multiple terms, such as 'tax

professionals', 'tax preparer', 'tax agents', 'tax advisors' and 'tax practitioners' interchangeably in their study, reflecting the variety of terminology in the literature. In the context of this thesis, the term 'tax agents' is used throughout the thesis to ensure consistency. Tax agents in this study also include tax staff employed by the tax agents' firms.

1.1.1 The important roles of tax agents in tax compliance

Notwithstanding the various special areas in accounting, such as audit, tax, management and financial accounting, the moral reasoning of accountants is significantly indifferent to their job tasks (Emerson et al., 2007). Nonetheless, the roles of tax agents are perhaps different from other accounting professionals. For instance, while auditors are expected to be independent and perceived to be independent, tax agents, on the other hand, have to act as advocates for their clients (Tomasic & Pentony, 1991; Tan & Sawyer, 2003) while at the same time remain objective in their professional conduct. Concurrently, tax agents are also taxpayers themselves and are expected to act as an intermediary in a tax system.

The Code of Ethics for Tax Agents published by the Malaysian Inland Revenue Board (MIRB), for instance, states that since tax agents represent their clients they have to provide the best possible services to their clients. Furthermore, while safeguarding the interests of their clients, they also have to support the interests of the government and the country (Malaysian Inland Revenue Board, 2012). In New Zealand, the Inland Revenue Department (NZIRD) perceives its relationship with tax agents as being collaborative or even a partnership (Burton & Dabner, 2009). In addition, there are Muslim tax agents in Malaysia, who also act

as *amil*[1] (Malaysian Association of Tax Accountants, 2013). The various roles could lead to a challenging situation for tax agents, due to the conflict of interests that may arise from performing these roles.

Past studies in tax compliance suggest that due to the expertise held by tax agents, taxpayers rely on tax agents to handle their tax matters. In New Zealand, Tan (1999) provides evidence that small business owners are prone to agree more rather than disagree with the advice given by their tax agents, which emphasizes the importance of tax agents in a tax system. In her study, filing accurate tax returns and avoiding serious penalties are the two most important reasons why tax agents are engaged. A recent finding by Mohd Isa (2012), using corporate taxpayers in Malaysia, indicates that many corporate taxpayers rely heavily on tax agents who not only handle their tax compliance matters, but also tax planning as well.

In Australia, Sakurai and Braithwaite (2003) demonstrate that the majority of respondents in their studies engaged tax agents. Similar to Sakurai and Braithwaite (2003), a recent finding by Devos (2012) in Australia indicates that there is a significant relationship between individual taxpayers' compliance with the need to engage tax agents. Devos (2012) also found three main reasons tax agents were hired which were due to the complexity of the Australian tax system,

[1] *Amil* is the representative appointed by the Islamic authority to collect *zakah;* they can be individuals or organizations. *Zakah* is the Islamic tithe which in Malaysia is managed by the Islamic Council of the respective states. This is because, in Malaysia, religious matters are governed by the State Governments. The conventional and the Islamic economic systems in certain sectors in the Malaysian economy are run in parallel. For instance, the conventional banking and financial systems operate side by side with the Islamic banking and financial systems. Similarly, conventional insurance runs in parallel with the *takaful* (Islamic insurance), and the taxation system with the *zakah* system.

legally reduce the amount of tax payable and fear of making mistakes. Dubin et al. (1992) and Blumenthal and Christian (2004), for instance, suggest that the increase in audit enforcement results in more taxpayers seeking the advice of tax agents. Similar to the findings of Mohd Isa (2012) among corporate taxpayers in Malaysia who engaged tax agents for the purpose of obtaining tax updates, Hasseldine et al. (2012) also suggest an intermediary role of tax advisers in the United Kingdom as a broker of knowledge between the taxpayers and the tax authority.

The roles of tax agents in a tax system, to a certain extent, exert an influence on the compliance process (Andreoni et al., 1998). In a series of interviews with tax agents in Australia, Tomasic and Pentony (1991) found that tax agents act as intermediaries between the Australian Tax Office (ATO) and taxpayers, and have an influence on the level of taxpayers' compliance with the tax laws. Erard (1993) suggests that the use of tax agents increases the level of compliance. Doyle et al. (2009) argue that tax agents are influential in determining the amount of tax that will be paid by their clients. Marshall et al. (1998) suggest that the role of tax agents also includes representing their clients when negotiating with the tax authority, and is not restricted to the preparation of income tax returns.

The reason for hiring tax agents, according to Kirchler (2007), is not primarily motivated by the desire to avoid paying taxes, but more importantly the intention to report correctly in a complex tax environment. Tax agents are engaged to assist their clients in various tax matters, such as minimizing the problems of being audited, tax savings, risk management, reducing tax compliance costs, submitting accurate tax returns, and resolving uncertainties (Hite et al., 2003; Tan & Sawyer, 2003; Tan, 2006). It is also suggested that depending on the complexity

of the tax law, tax agents play dual roles, known as the "enforcer/ambiguity-exploiter effect" (Klepper et al., 1991, p. 228). As a result of their expert knowledge, which may lead to strategies to reduce penalties, tax agents will favour aggressive tax positions in ambiguous tax situations, and become the enforcer of the tax law in situations when the tax law is unambiguous (Klepper & Nagin, 1989; Spilker et al., 1999; Hite et al., 2003).

A brief review of the roles of tax agents in this section suggests that tax agents have important roles in tax compliance, as advocates for their clients and intermediaries to the government. Therefore, it is worthy to explore the factors that influence them in their decision making.

1.1.2 The setting of the study: Malaysia and New Zealand

The increase in cross-border commerce suggests that there is a need for tax researchers to undertake cross-cultural studies to enhance the knowledge and understanding of tax compliance issues internationally (Attwell & Sawyer, 2001; Richardson & Sawyer, 2001; Hite et al., 2003; Singh, 2003, Yong, 2011).. In a tax context for instance, different cultures may allow for different incentives and opportunities for tax compliance and non-compliance (Chau & Leung, 2009). Responding to these recommendations, this study is cross-cultural in nature, conducted in the tax settings of Malaysia and New Zealand.

It is always a concern for researchers conducting cross-cultural study that the comparison between two cultures becomes a comparison of apples and oranges (Hofstede, 1998). However, studies in cross-cultural context could be in the form of finding similarities, differences or both (Hofstede, 2001; Matsumoto & Juang,

2008). This is then translated into the approach being used to understand the influence of culture, either from inside perspective (*emic)* , or outside perspective *(etic)* , or both, and also to be consistent with Hofstede (1980), matched samples are used in both cultures. Notwithstanding that, in real life, finding matched samples in every aspect is not realistic due to the time and cost constraints. Therefore, matched samples in certain aspect such as using similar population of samples, for instance in this study tax agents in public practice is considered as acceptable. Malaysia and New Zealand were chosen for this study for the following reasons.

First, both Malaysia and New Zealand are multi-ethnic countries. In Malaysia, the latest population and housing Census in 2010 indicates that the *Bumiputera*[2] forms the majority of the population with 67 percent, followed by the Chinese ethnics of 25 percent, Indian ethnics of 7 percent and others of 1 percent (Department of Statistics of Malaysia, 2010). As for New Zealand, based on the latest 2006 Census, European New Zealanders represents the majority of the population with 62 percent. This is followed by Maori ethnics of 13 percent, 'Others' of 10 percent, Asian ethnics of 8 percent, Pacific ethnics of 6 percent and Middle Eastern, Latin American and African ethnics (MELAA) of 1 percent (Statistics New Zealand, 2012).

The differences of ethnicities between these two countries possibly reflect the differences in their national cultures as postulated by Hofstede (1980). For instance, despite Malaysia being a multi-ethnic country, in general the Malaysian

[2] The natives Malay, Iban, Kadazan and Dusun.

societies practise Asian values which formed their culture (Mohd Iskandar & Pourjalali, 2000; Kennedy, 2002). On the other hand, due to the dominance of European descendants in New Zealand, the culture of New Zealand society in general reflects more the cultures of the Anglo-Celtic (Brooking, 2004) or Anglo-Saxon (Kennedy, 2012).[3] Considering the differences in their cultures, it would be worthwhile to examine the tax compliance behaviour of tax agents in Malaysia and New Zealand since prior studies for instance, Richardson (2008) and Bame-Aldred et al. (2013) suggest that culture has important influence in tax compliance behaviour.

Secondly, Malaysia and New Zealand share a number of similar characteristics. For instance, as former British colonies, both Malaysia and New Zealand have experienced the British administration system and inherited British accounting practices. Their accounting professions are also patterned after the United Kingdom model (Gernon & Meek, 2001).[4] In terms of tax systems, both Malaysia and New Zealand utilise a self-assessment system (SAS), although New Zealand is more advanced in its implementation compared to Malaysia.

Thirdly, in both countries, there is evidence that taxpayers rely on tax agents to handle their tax matters. For instance, a recent study by Mohd Isa (2012) in Malaysia found that around 80 percent of corporate taxpayers engaged tax agents to handle their tax matters. Mohd Isa (2012) also reported that, in 2009,

[3] However, this does not suggest that the influence of other cultures in New Zealand should be taken for granted. Yong (2011) for instance, found that different ethnics in New Zealand have different cultures of tax compliance behaviour.

[4] The United Kingdom accounting model for instance adopts the fair presentation or full disclosure model (Gernon & Meek, 2001).

around 91 percent of the corporate taxpayers in Malaysia engaged tax agents to liaise with their tax matters. This is followed by around 19 percent of all individuals without business income, and about 4 percent of all individuals with business income, as illustrated in Table 1.1.

Table 1.1 The use of tax agents in Malaysia in 2009

Type of taxpayers	Number of taxpayers	Number of tax agents	Percentage
Company	177,200	162,226	91.5
Individual without business income	586,624	112,496	19.2
Individual with business income	1,957,245	83,267	4.3

Source: Adapted from Mohd Isa (2012, p. 100).

In New Zealand, statistics provided by the NZIRD indicates that, there is an increasing number of tax agents engaged by taxpayers from 2001 to 2011, as illustrated in Table 1.2.

Table 1.2 Number of clients of tax agents from 2001 to 2011 in New Zealand

Years	Number of clients engaged tax agents (,000)	Years	Number of clients engaged tax agents (,000)
2001	1,307.7	2007	1,732.4
2002	1,362.6	2008	1,814
2003	1,421.8	2009	2,145.6
2004	1,496.2	2010	2,270
2005	1,578.4	2011	2,320.8
2006	1,657.1		

Source: New Zealand Inland Revenue Department (2012).

The aforesaid discussion suggests that Malaysia and New Zealand have both similarities and differences. Since cross-cultural studies can be conducted to

find similarities, differences or both, using Malaysia and New Zealand as the setting for the study may provide interesting insights into further understanding a number of tax compliance issues.

1.1.3 Some selected variables used in the study to understand tax compliance behaviour of tax agents

Tax compliance behaviour is a complex research area and is not possible to be explained only by a single factor (McKerchar, 2010). However, incorporating all possible factors in a single study would be very challenging due to the wide area of research in tax compliance behaviour. Therefore, this study attempts to understand the tax compliance behaviour of tax agents in Malaysia and New Zealand using some selected factors by extending the Theory of Planned Behaviour (TPB) by Ajzen (1991) with ethical sensitivity and culture. A brief discussion on the TPB, ethical sensitivity and culture is provided here.

The TPB is a social psychology theory which is used to explain human behaviour. The TPB posits that the intention to perform behaviour and the perceived control that an individual has to perform that particular behaviour lead to conducting the actual behaviour. The TPB also claims that attitude, subjective norms and perceived behavioural control influence an individual's intention to perform behaviour. Attitude towards behaviour according to Ajzen (1991) refers to an individual evaluation towards the outcome of performing a particular behaviour, whether or not the outcome is favourable or unfavourable. Subjective norms refer to the influence of important others on intention to perform behaviour since we form our beliefs from people important to us (Ajzen, 1991). Perceived behavioural

control is described as the ability of an individual to have control in performing behaviour consists of personal and environmental factors (Fishbein & Ajzen, 2010). A particular behaviour is also unlikely to be performed if there is no control to perform the behaviour even in the existence of positive attitude and influence from important others (Ajzen, 1991). The TPB has been widely used in various fields of studies (Armitage and Conner, 2001; Ajzen, 2011). However, in tax context, only a few studies have attempted to use the TPB such as Bobek and Hatfield (2003), Saad (2010), Trivedi, Shehata and Mestelman (2005) and Buchan (2005), all of which in general provide mixed support for the TPB and tax compliance.

Rest (1986) suggests that ethical sensitivity is an important element in ethical decision making process. Ethical sensitivity according to Rest (1986) is the awareness that our action may impact others. Rest (1986) further argues that lack of ethical sensitivity in determining ethical issues may lead to unethical behaviour. Despite ethical sensitivity is an important element in ethical judgment, a review of business ethics studies by O'Fallon and Butterfield (2003) suggests that it is less explored in research. A similar view is shared by Tan (2006) on the lack of research examining the influence of ethical sensitivity in tax compliance studies. A few studies however, have attempted to investigate the influence of ethical sensitivity and ethical judgment of accounting practitioners. For example, Collins (2000) and Emerson, Conroy and Stanley (2007) found that ethical sensitivity is important in the ethical decision making of accountants. In tax context, a few studies such as Yetmar and Eastman (2000), Buchan (2005) and Doyle et al. (2009)

have raised the issue of ethical sensitivity in their studies and found mixed support for ethical sensitivity and ethical judgment which suggest for further examination.

Tax compliance involves ethical considerations of what is ethical and what is not which to a certain extent may involve the influence of culture since ethics is related to customary (Jardins, 2011). Hofstede (1991) also suggests that ethical values are part of a culture which may contribute to ethical decision making. The importance of culture in ethical judgment is already acknowledged (see for instance, Ferrell and Gresham (1985) and Hunt and Vitell (1986)). However, in a synthesis of cultural studies in accounting by Chanchani and MacGregor (1999), an area that requires further examination is the effect of culture on judgment. In tax context, the influence of culture has been examined in studies such as Jakubowski et al. (2002), Alm and Torgler (2006), Bobek, Roberts and Sweeney (2007), Torgler and Schneider (2007), Lewis (2009) and Yong (2011) of which indicate mixed findings.

1.2 An overview of the self-assessment taxation systems in Malaysia and New Zealand

To better understand the tax backgrounds for this study, the following sub-sections briefly explain the taxation systems in Malaysia and New Zealand. The discussion concisely describes the historical background, types of income taxed, and then proceeds with the implementation of the self-assessment systems.

1.2.1 Malaysia

Malaysia is a country located in South East Asia. Historically, Malaysia was formed on 16 September 1963, consisting of the Peninsular Malaysia, Sabah,

Sarawak and Singapore.[5] Prior to her independence on 31 August 1957 from the British Administration, the Peninsular Malaysia was known as the *Persekutuan Tanah Melayu*. In 1947, the British Administration introduced a modern taxation system in the *Persekutuan Tanah Melayu* under the first Income Tax Ordinance. As for Sabah, the first Income Tax Ordinance was introduced in 1957 and much later, in 1961, in Sarawak. In 1968, the Malaysian Parliament enacted the Income Tax Act 1967 (ITA) which took effect from 1 January 1968.

Essentially, the scope of income that is taxed in Malaysia is determined on a territorial basis. However, the insurance services, banking and finance, and sea and air transport services, are taxed based on a worldwide income basis. Direct and indirect taxes are two main types of taxes collected by the Malaysian Government. A direct tax is collected by the MIRB whereas indirect tax is collected by the Royal Customs and Excise Department of Malaysia. Over the years, most of the contribution from tax revenue has come from corporate taxes, followed by petroleum resources and individuals (Malaysian Inland Revenue Board, 2012).

In 2000, the Malaysian Government introduced the current year basis for assessing income for tax purposes as the first step to implement the self-assessment system in Malaysia. Prior to that, previous year basis was used tax income in Malaysia. Commencing in 2001, the SAS was introduced to replace the Official Assessment System (OAS) for corporate taxpayers. The Malaysian Government extended the implementation of SAS to businesses, co-operatives, partnerships and

[5] Singapore later left Malaysia in 1965.

employees in 2004. Therefore, by 2005, the SAS was fully applied to all taxpayers in Malaysia.

The SAS was introduced to encourage voluntary tax compliance, reduce the cost of collecting taxes, and bring forward the amount of tax being collected since current year basis is used to tax income under the SAS. It also enables the MIRB to divert its resources, from its traditional task of determining or assessing the taxpayers' income, to focus more on tax audits, with the desire of increasing the income tax collected (Kassipillai et al., 2000). The change of the tax landscape under the SAS transfers more responsibility to comply with the tax laws to the taxpayers, suggesting that they have to be more responsible in managing their income tax.

The implementation of the SAS in Malaysia is not without its issues. For example, Loo et al. (2010) conducted a study on the impact of the SAS on the tax compliance behaviour of individual taxpayers in Malaysia using individual case studies, and found that the complexity and the ambiguity of the tax laws under the SAS could cause difficulties for taxpayers. Those difficulties result in taxpayers, either unintentionally non-complying or over complying with their obligations under the tax laws.

Commencing 1 April 2015, Malaysia will implement Goods and Service Tax (GST) for a more effective tax system (Malaysian Inland Revenue Board, 2013). There is a possibility that the implementation of GST will bring a new set of challenges to tax agents in Malaysia in assisting their clients to comply with the tax law.

1.2.2 New Zealand

Geographically, New Zealand is located in the southwest of the Pacific Ocean and is formed by two main islands, the North and the South Islands. The implementation of the Land and Income Tax Act 1891 marked the commencement of the taxation of income in New Zealand. Essentially, there are currently four major statutes governing taxation in New Zealand. These statutes are the Income Tax Act 2007 (ITA 2007), Goods and Services Tax Act 1985 (GST 1985), Tax Administration Act 1994 (TAA 1994) and Taxation Review Authorities Act 1994 (TRAA 1994). The taxation system in New Zealand has undergone many reforms, including the re-writing of the Income Tax Act 1976 which was undertaken in stages and completed in November 2007 and became effective from 1 April 2008 (Sawyer, 2007).

In general, the scope of income taxed in New Zealand is determined on the worldwide basis. In addition to the income tax, the Goods and Service Tax (GST) is also applied in New Zealand. The tax revenue in New Zealand comes mainly from individual taxpayers and GST, followed by companies and other duties (New Zealand Inland Revenue Department, 2012).

New Zealand has operated a full self-assessment system for income tax since 2002. Taxpayers are responsible for calculating their own tax liabilities and for paying the amount owing to the NZIRD or claiming a refund. The SAS in New Zealand does not require individuals who only receive salaries or wages, interest or dividends (which are taxed at source), to file a tax return with the NZIRD. Instead, to ensure the correct amount of tax is remitted to the NZIRD, the NZIRD relies on

the withholding tax system for taxing this income, and the NZIRD may also determine their income by issuing an income statement.

Notwithstanding the various efforts of the NZIRD to encourage compliance, which cater for different types of taxpayers, non-compliance is still an issue in New Zealand. For instance, Gupta (2006) found that tax evasion is perceived as a less serious crime in New Zealand, compared to other white collar frauds such as accounting fraud.

1.3 An overview of the accounting professions in Malaysia and New Zealand

Notwithstanding that both Malaysia and New Zealand inherited British accounting practices and patterned their accounting professions after the British model (Gernon & Meek, 2001), there is the possibility that the requirements to appoint tax agents in Malaysia and New Zealand are different due to the differences in the tax laws in both countries. For instance, section 153 of the Income Tax Act 1967, together with the Accountants Act 1967, statutorily regulate tax agents in Malaysia. New Zealand, on the other hand, does not statutorily regulate the profession but implements a voluntary registration system via s 34B of the TAA 1994 (Thiagarajah, 2012). To understand how tax agents in Malaysia and New Zealand are appointed, this sub-section provides a brief explanation of the accounting profession in both countries.

1.3.1 Malaysia

Based on a study by Gray (1988), the accounting profession in Malaysia is suggested to be statutorily controlled, displaying uniformity rather than flexibility, operating in secrecy rather than transparency, and conservative. Gray (1988)

further argues that the accounting profession in Malaysia is regulated mostly by the Malaysian Government rather than self-regulated, favours enforcement of uniform legislation for all companies, encourages high confidentiality and restricts the disclosure of information and finally, is cautious in taking risk of future events.

Historically, the accounting profession in Malaysia has been influenced by two accounting bodies, the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA), (the latter was previously known as the Malaysian Association of Certified Public Accountant (MACPA)). The MIA was set up under the Accountant Act 1967 as a statutory body, whereas the MICPA was established as a private association in 1958 (Selvaraj, 1999). Prior to 1967, there was no regulation of the accounting profession in Malaysia.

Since its inception, the MICPA has been active in providing assistance to its members through technical guidance and training, as well as conducting its own professional examinations. The MICPA was also active in issuing accounting standards in the early 1970s. During its early years, members of MICPA were mostly chartered accountants trained in the United Kingdom and Australia. The membership of the MICPA increased with support from the then Big Six Chartered Accounting firms. At the same time, graduates of the Association of Chartered Certified Accountants (ACCA) experienced difficulties in becoming MICPA members. This led to the suggestion of establishing a local organization to regulate the accounting profession in Malaysia, resulting in the establishment of MIA. Both bodies merged in 1987, and since then the MIA has not restricted its function to being a statutory body but has been active in issuing standards, providing technical

support and training (Selvaraj, 1999). The members of the MIA are required to follow the bylaws of MIA in conducting their professional duties. The bylaws of MIA are based mainly on the Code of Professional Accountants issued by the International Federation of Accountants (Malaysian Institute of Accountants, 2010).

In addition to the above mentioned bodies, there are two further professional bodies which specifically cater for tax agents in Malaysia. The Chartered Tax Institute of Malaysia (CTIM), formerly known as the Malaysian Institute of Taxation (MIT), was established in 1991 under the patronage of MIA, before re-branding and becoming a separate entity. Its main objectives are to develop awareness of tax issues and protecting the tax profession to ensure qualified tax agents are produced in the country (Chartered Tax Institute of Malaysia, 2010). The other body is the Malaysian Association of Tax Accountants (MATA) which was established in 1988 to assist the Malay tax agents and company secretaries to develop their professionalism (Malaysian Association of Tax Accountants, 2013). Since MIA is the body governing the accounting profession in Malaysia, the members of CTIM and MATA are bound by the bylaws of the MIA.

Eligibility to become a tax agent in Malaysia is determined under three conditions pursuant to section 153(3) of the ITA 1967. A person can become a tax agent if:

(1) She or he is a professional accountant authorized by, or under, any written law to be an auditor of companies, or

(2) Any other professional accountants approved by the Minister of Finance or,

(3) Any other professional accountants approved by the Minister of Finance on the recommendation of the Director General of the MIRB.

According to section 153(3) of the ITA 1967, which was amended with effect from 1 January 2006, the term "tax agents" refers to any professional accountants or person, approved by the Minister of Finance (Thiagarajah, 2012). The definition of "professional accountants" is not provided by the ITA 1967; however, section 23 of the Accountants Act 1967 exclusively restricts any person from using the title "accountant" unless that person is a registered member of the MIA.

The roles of a tax agent in Malaysia are also stipulated in the ITA 1967 which suggest an important aspect of tax agents' responsibility as advocates for their clients in the Malaysian tax system. The tax agents' roles under the ITA 1967 are as follows:

(1) Advising their clients on records to be maintained,

(2) Assisting in completing clients' tax returns,

(3) Advising their clients on their obligations to pay their dues as required by the law,

(4) Attending the audit at clients' premises if they are being audited,

(5) Attending an investigation,

(6) Participating in tax audit interviews,

(7) Negotiations and proceedings on behalf of their clients, and

(8) Filing appeals as well as attending court hearings and any further appeals.

1.3.2 New Zealand

A study by Gray (1988) suggests that accounting practices in New Zealand favour professional individual judgment and self-regulated legislation, flexible in their accounting approach, transparent in disseminating information and lastly, favour a risk taking approach in uncertain future events. The history of the accounting profession in New Zealand can be traced back to the establishment of the Incorporated Institute of Accountants of New Zealand (IIANZ) in May 1894. Due to disputes over the enrolment of membership, in 1898, the Accountants and Auditors Association (AAA) was formed in Auckland. Both bodies, the IIANZ and AAA, were later merged and became the New Zealand Society of Accountants (NZSA) in 1908. In 1996, NZSA changed its name to the Institute of Chartered Accountants of New Zealand (ICANZ) (Emery et al., 2002) which later became NZICA. Since then many reforms had taken place, and currently NZICA operates under the Institute of Chartered Accountants of New Zealand Act 1996.

The objectives of NZICA are to ensure the integrity of the accounting profession and regulate the accounting industry in New Zealand through providing assistance, training and education. NZICA was also the instigator, as well as one of the 11 members of the Global Accounting Alliance (GAA) which represents many of the leading professional accountancy bodies in the world (New Zealand Institute of Chartered Accountants, 2013). The NZICA Code of Ethics, which is mandatory for all its members, serves as a guide for members in performing their professional duties. For tax practice, a sub-section of the NZICA Code of Ethics, the Tax

Guideline 1 (TG-1) 2004 provides a comprehensive ethical guideline (New Zealand Institute of Chartered Accountants, 2010).

There is also the Accountants and Tax Agents Institute of New Zealand (ATAINZ), formerly known as Tax Agents Institute of New Zealand (TINZ), which was established in 1976 as an incorporated society, and serves as a platform to support the tax profession in New Zealand. ATAINZ supports tax agents through conferences, courses, discussions and specialist advice service. In addition to NZICA, ATAINZ has also been granted 'approved advisor group' status by the NZIRD (Accountants and Tax Agents Institute of New Zealand, 2013). Furthermore, CPA Australia is another professional accounting body which has been in active presence in New Zealand accounting profession. Similar to NZICA and ATAINZ, CPA Australia has also been granted an 'approved advisor group' status by the NZIRD (CPA Australia, 2013).

New Zealand relies on a voluntary system, using a self-regulatory approach for tax agents to provide their services (Thiagarajah, 2012). In New Zealand, a tax agent is determined according to section 34B of the TAA 1994; however, it is the Commissioner of Inland Revenue who has the discretion whether or not to list a tax agent (Fisher, 2010). Pursuant to section 34B of the TAA 1994, to qualify as a tax agent, a person has to be a preparer of income tax returns for ten or more taxpayers and fall under any of the following categories:

(1) A practitioner carrying on a professional public practice,

(2) A person carrying on a business or occupation in which returns of income are prepared, or

(3) The Maori Trustee.

1.4 Research gap

The earlier discussion of this chapter suggests that tax agents are engaged to undertake various tasks by their clients with the ultimate concern being how much tax their clients could save or minimising the amount of tax that their clients must pay to the tax authority. Meanwhile, tax agents must also consider their obligations to other parties, such as the tax authority, their firm, the accounting profession and the public (Yetmar & Eastman, 2000). Due to their unique position, it is challenging for tax agents to determine the boundaries as advocates and maintain their professionalism at all times (Bobek & Hatfield, 2003). Furthermore, with changes in the tax landscape, such as the implementation of SAS, their roles are becoming more challenging since as a result of their expertise, taxpayers rely more on tax agents (Lai & Choong, 2009). The experience of other countries which have implemented the SAS, such as Australia and the United Kingdom, indicates that many taxpayers seek the assistance of tax agents in complying with their tax obligations after the implementation of SAS (Marshall et al., 1998).

Notwithstanding the importance of tax agents in a tax system, studies on tax agents' tax compliance behaviour, especially the ethical sensitivity of tax agents, remain scarce compared to research on other factors in tax compliance studies (Tan, 2006). While there is a possibility that the number has changed over the years, a review by Tan and Sawyer (2003) on tax compliance studies in New Zealand found that only two published studies examined the tax agents' ethical decision making and their tax compliance behaviour for the period between 1990 and 2003. In a recent study by Gupta and McGee (2010), they compared the

perceptions of students with accounting practitioners regarding ethics in tax compliance in New Zealand. The study, however, did not specifically use tax agents as samples. A recent unpublished study which uses tax agents as sample is provided by Smart (2012). The study examines the tax reporting behaviour of tax agents and individual taxpayers in New Zealand using the Theory of Planned Behaviour as framework.

While there are a few studies in Malaysia between the period 1994 and 2008 that involved tax agents as respondents, only Singh (2003) specifically examined the moral decision making of tax agents (Abdul-Jabbar & Pope, 2009). Similar to New Zealand, the number of studies using tax agents as samples in Malaysia may have changed over the years. For instance, Lai and Choong (2009) examined the perceptions of tax agents towards tax compliance in SAS environment. Lai and Choong (2010) and Abdul Aziz and Md. Idris (2012), investigated the use of the electronic tax filing system in Malaysia among tax agents. Nonetheless, the ethical decision making of tax agents in complying with the tax law while performing their professional roles is still not widely explored in Malaysia.

Even though the importance of ethics in previous taxation studies has received considerable support (Jackson and Milliron, 1986; Richardson and Sawyer, 2001), the issue of how to measure ethics remains a concern (Richardson and Sawyer, 2001). While the use of single item to measure ethics in prior studies is acknowledged in improving our understanding on the importance of ethics in tax compliance, arguably, individuals rely on more than one ethical dimension in their decision making (Reidenbach and Robin, 1988; 1990). Thus, ethical sensitivity in

this study is measured using the Multidimensional Ethics Scale (MES) adapted from Cruz et al. (2000) which could possibly explain better the ethical decision making of tax agents in the study.

Previous studies on tax compliance have almost always centred on Western countries, especially the United States (US), which suggests that tax authorities outside the US have to be cautious in interpreting the findings of the studies (Richardson & Sawyer, 2001). Globalisation, however, requires a move away from a single location study to comparative studies (McDonald, 2000), which also implies that cross-cultural ethics research is becoming more important (Brand, 2009). However, the synthesis of the literature in tax compliance studies undertaken by Richardson and Sawyer (2001) found that cross-cultural tax research is still in its infancy and should be promoted to reduce the tax knowledge gap. The discussion in section 1.1.3 also gives some indication of the importance of culture in tax studies.

While the use of Hofstede's (1980) National Cultural Dimensions to measure culture has been widely used in other areas of business, such as marketing (De Mooij, 2004), the use of Hofstede's (1980) National Cultural Dimensions in the tax context is still limited (Tsakumis et al., 2007). This study attempts to reduce this gap by operationalizing Hofstede's (1980) National Cultural Dimensions to measure culture in complying with the tax laws. This is also a response to Yong (2011), to use Hofstede's (1980) cultural typology in the tax context internationally.

1.5 Objective of the study and the research questions

Basically, the main purpose of this research is to understand the tax compliance behaviour of tax agents in Malaysia and New Zealand by examining some selected factors that contribute to their ethical decision making while performing their professional roles. This is performed mainly by extending the Theory of Planned Behaviour (TPB) of Ajzen (1991) with another two factors, culture and ethical sensitivity. Within the framework of the TPB itself, specifically, the study aims to understand the influence of attitudes, subjective norms and perceived behavioural control in the decision making of tax agents in Malaysia and New Zealand.

Since this study is comparative in nature, it is essential to compare the perceptions of tax agents in Malaysia and New Zealand with regard to the TPB elements, ethical sensitivity and culture. This comparison is essential given that tax agents in Malaysia and New Zealand are different in the way the accounting profession is being regulated in both countries and the possibility of different cultures between Malaysia and New Zealand as discussed in sections 1.1.2 and 1.3. In addition, this study also examines whether or not the tax agents in Malaysia and New Zealand in this study perceive culture and ethical sensitivity as multidimensional constructs in complying with the tax laws. The objectives of the study lead to the following specific research questions:

(1) Do tax agents in Malaysia and New Zealand indicate the same level of perceptions with regard to Hofstede's (1980) National Cultural Dimensions in complying with the tax laws?

(2) Do tax agents in Malaysia and New Zealand have the same level of perceptions in relation to the TPB elements in complying with the tax law while performing their roles?

(3) Do tax agents in Malaysia and New Zealand have the same level of perceptions in relation to the dimensions in the Multidimensional Ethics Scales?

(4) Does the attitude towards tax compliance significantly influence the tax agents in Malaysia and New Zealand in complying with the tax laws while performing their professional roles?

(5) Do subjective norms significantly influence the tax agents in Malaysia and New Zealand in complying with the tax laws while performing their professional roles?

(6) Does perceived behavioural control significantly influence the tax agents in Malaysia and New Zealand in complying with the tax laws while performing their professional roles?

(7) Do tax agents in Malaysia and New Zealand perceive ethical sensitivity as a multidimensional concept?

(8) Does ethical sensitivity significantly influence tax agent in Malaysia and New Zealand in complying with the tax laws while performing their professional roles?

(9) Do tax agents in Malaysia and New Zealand perceive culture as a multidimensional concept?

(10) Does culture significantly influence tax agents in Malaysia and New Zealand in complying with the tax laws while performing their professional roles?

1.6 Research methods

Traditionally, researchers employ either the qualitative or quantitative approaches in conducting a research. Richardson and Sawyer (2001) for instance, found that survey and experimental designs are the common methods used by tax researchers. However, over the years, mixed method research has gained considerable attention in social science research (Bryman & Bell, 2011). Johnson and Onwuegbuzie (2004, p. 15) for instance, suggest that mixed method research has become the "third research paradigm". Most likely this is because mixed method research is appropriate for various research disciplines in the social sciences (Creswell & Plano Clark, 2011). In taxation studies, the use of mixed method has also been supported. For instance, McKerchar (2010) suggests that in mixed methods studies, the findings from using an approach can be used to inform, validate or compensate the weaknesses of using the other approach.

Based on the foregoing advantages of using a mixed method approach in tax studies, and using pragmatism as the research lens, this study employs a mixed method strategy to meet the objectives of the study. The fundamental idea of mixed method research is to combine both quantitative and qualitative approaches in a single study. This study incorporates a quantitative method (survey) and qualitative method (telephone interview) to obtain responses from tax agents in Malaysia and New Zealand. Apart from performing the preliminary and descriptive analyses using Statistical Package for the Social Sciences (SPSS) software version 18, Partial Least Squares (PLS), a composite based structural equation modelling

(SEM) approach, is used to test the hypotheses based on research questions set out in Chapter 3.

Essentially, SEM is a multivariate technique which combines factor analysis and multiple regressions in a single analysis which allows for a set of interrelated dependent and independent variables with their measures to be examined simultaneously (Hair et al., 2010). There are two commonly used SEM-based approaches in social science studies, the covariance-based SEM (CBSEM) and PLS (Gefen et al., 2000). The latter is used since this study is prediction oriented and PLS is based on soft data distribution assumption which does not require parametric assumption. Therefore, the assumption of normality of data could be relaxed and PLS has the ability to work well even with small sample size. In addition, CBSEM only works with measures which are developed reflectively. Since measures in this study were developed in formative (second order) and reflective mode (first order), PLS is the appropriate choice for testing the hypotheses. The researcher performed the PLS using SmartPLS program developed by Ringle et al. (2005). As for the interview data, it was analysed thematically using the approach recommended by Lincoln and Guba (1985) and Braun and Clarke (2006). Further discussion of the research methods employed in this study is presented in Chapter 4 of this thesis.

1.7 Significance of research

The findings from this study contribute to the existing literature in tax compliance in a number of ways. As a result of globalisation, cross-cultural research has become more important (Ayres & Ghosh, 1999). Broadening the database of taxation empirical work outside the US, in this case within the Asia

Pacific region, could improve the understanding of tax compliance (and non-compliance) issues and assist with identifying the differences in tax compliance behaviour so that appropriate strategies can be implemented to improve compliance (Andreoni et al., 1998). In addition, the findings from this study could provide some further understanding as to whether the decision making of tax agents in Malaysia and New Zealand is explained to an extent by the differences in their cultural background. In this study, the influence of culture is measured using Hofstede's (1980) National Cultural Dimensions, which is limited in its application in a tax context (Tsakumis et al., 2007).

The importance of ethics in tax compliance studies has been supported in previous research; however, the approach for measuring ethics is still an area of concern (Jackson & Milliron, 1986; Richardson & Sawyer, 2001). A tool that could be used to measure ethics in business research is the Multidimensional Ethics Scale (MES) developed by Reidenbach and Robin (1988; 1990) which was initially used to measure ethics in marketing. Cohen et al. (1993) later replicated and extended MES in an accounting context in the US. More recent studies, such as Cruz et al. (2000) and Buchan (2005), who tested the MES in tax and accounting contexts respectively, were also conducted in the US. This study contributes to the body of knowledge by testing the MES to measure ethical sensitivity on tax agents in Malaysia and New Zealand using specific tax scenarios. These scenarios involved the over claiming of expenses and under declaring of income which according to Elliffe (2011), are two situations representing the core aspect of the tax gap in a tax system. To the researcher's knowledge the use of MES in the tax context has not been tested on tax agents in Malaysia and New Zealand. To examine the tax

compliance behaviour of tax agents in Malaysia, Singh (2003) for instance used three tax scenarios with attitudinal statements indicating whether or not the tax agents agreed with the tax treatment in the scenarios and measured using a 7-point Likert scale ranging from "very high likelihood" to "very low likelihood". Singh (2003) also used the Defining Issues Test (DIT) by Rest (1986) to examine the tax compliance behaviour of tax agents in Malaysia. Attwell and Sawyer (2001) for instance, used a similar questionnaire to Tooley (1992) in examining the ethical attitudes of tax agents in New Zealand. The respondents in their study were asked to indicate their agreement or disagreement with the statements provided using a 5-point scale with a higher score indicating a more favourable opinion. In addition to that, Cohen et al. (1993) commented that considering MES was developed in the cultural context of the US, it may not be suitable for Asian culture and thus suggested for more testing on MES in the international studies setting. The findings from this study could contribute to understanding whether or not MES could be applied universally in the tax context.

Oats (2012) argues that taxation studies have been dominated by the positivist paradigm, which leads to the use of quantitative approaches *per se* and thus suggests future research in tax to consider other alternatives. In a similar vein, McKerchar (2010) supports the use of mixed-method research in tax studies. The use of mixed-method involving tax agents in tax studies, however, has not been widely documented. An example of a published mixed-method study is provided by Hasseldine et al. (2012), which involved tax agents as their sample which combined the survey and interview methods to understand the role of tax knowledge. The pragmatism paradigm applied in this study enables the researcher

to apply a mixed-method approach, combining a survey and interview, to provide a better understanding of the factors that contribute to the ethical decision making of tax agents in Malaysia and New Zealand while performing their professional roles. The interview findings are predicted to explain further the responses in the survey.

Furthermore, the use of SEM, which is a second generation data analysis technique (Hair et al., 2010) particularly the PLS in this study, provides an alternative to analyse tax compliance data and predict tax compliance behaviour using small sample sizes with non-parametric assumption in a complex model. While "SEM has become *de rigueur* in validating instruments and testing linkages between constructs" (Gefen et al., 2000, p. 6) and has been supported in social science research such as in the areas of marketing and information systems (Urbach & Ahlemann, 2010; Hair et al., 2012; Ringle et al., 2012), the use of SEM particularly PLS, is still not widely explored in taxation studies. To the researcher's knowledge, there are not many published tax studies which have applied SEM in their data analyses, except for a few such as Cox and Eger (2006), and Saad (2010). Compared to the first generation of statistical analysis such as regression which is only capable of testing one layer relationship between independent and dependent variables, the use of SEM is predicted to provide better understanding since it allows a set of interrelated questions to be tested in a single, systematic and comprehensive analysis (Gefen et al., 2000). Therefore, it is worthwhile to explore the use of SEM in tax context.

The accounting scandals throughout the world have harmed the reputation of the accounting profession and increased the sensitivity of the public to the wrongdoings of accountants in business (Emerson et al., 2007; Doyle et al., 2009;

Uysal, 2009). While much attention has been directed to the ethical standards of the auditors, tax agents have received attention as well since taxation services are a component of accounting services provided by public accounting firms. Therefore, as suggested by Singh (2003), the empirical evidence from tax research could be used as a platform to either confirm or refute the argument of deteriorating professionalism in the accounting industry.

Since ethics of the accounting profession "… is a profession-wide issue with far-reaching consequences" (Smith & Hume, 2005, p. 213), the findings could also benefit the accounting profession by indirectly providing some insights into the factors that motivate tax agents in Malaysia and New Zealand to act ethically while performing their roles. Once the factors that motivate tax agents are known, appropriate resources and mechanism could be channelled to assist tax agents in their ethical conduct. This could be helpful, for instance, in creating more awareness through training syllabus of tax agents by incorporating some elements of factors that motivate tax agents to ethical decision making.

1.8 Thesis organisation

This thesis is organised in chapters as follows. Chapter One presented the background information for the study, highlighted the importance of tax agents in a tax system and justifies Malaysia and New Zealand as settings for the study. To provide a better understanding of the study, this chapter also explained briefly the taxation systems in Malaysia and New Zealand, as well as the accounting profession in both countries. In addition, the chapter also presented the research gap, objectives of the study, research questions, summary of the research methods,

the significance of the research, organization of the thesis and concluded with a summary.

Chapter Two reviews the past literature and concepts relevant to the study. In this chapter the discussions are focused on the approaches (economic and behavioural) in tax compliance studies, relevant theories and key variables used in the study. Following the literature review, Chapter Three develops the research framework and hypotheses. The detailed research questions are presented together with the hypotheses to ensure better understanding of the research content.

Chapter Four describes the research methodology used in the study. The chapter explains the research paradigm, the methodology used (including the mixed-method approach), the research design, sampling, data collection techniques, instrument development and preliminary analysis used. This chapter also describes the structural equation modelling (SEM) approach performed in the study.

Chapter Five presents the preliminary quantitative data analysis for the study for Malaysia and New Zealand. The chapter discusses the findings from the preliminary analyses and descriptive analyses of the survey. Chapter Six offers the findings from the PLS analysis for both Malaysia and New Zealand. The findings from the qualitative approach (the interview) are explained in Chapter Seven.

The final chapter, Chapter Eight concludes the study with a discussion of factors that contribute to the ethical decision making of tax agents in Malaysia and New Zealand and outline the limitations of the study. It also offers some recommendations for future research.

The University of Canterbury, Christchurch, New Zealand provides some options on the type of referencing to be used in thesis writing, as long as it is consistent. This thesis used APA style of referencing which is acceptable and has been used in previous taxation theses in this university.

1.9 Summary

This chapter provides an overview of the thesis by introducing some background information and highlighting the main ideas discussed in the thesis. The discussion commenced with some background information about tax compliance studies, including the importance of tax agents in a tax system, the justification for choosing Malaysia and New Zealand as the settings for the study and a brief description on some selected variables used in the study. The taxation systems in Malaysia and New Zealand are briefly considered along with the accounting profession in both countries. In addition, the research gap, the objectives of the research, research questions, summary of the methods being used, and the significance of the research, are also provided. As the introductory guide for the thesis, this chapter also provides some brief explanation to the content of the remaining chapters.

CHAPTER 2

LITERATURE REVIEW AND RELEVANT CONCEPTS

2.0 Introduction

This chapter presents the theories and prior literature which are relevant to this study. The discussion begins with a brief overview of the economic and non-economic approaches taken in tax compliance studies, followed by a discussion on two theories for predicting human behaviour, namely the Theory of Reasoned Action (TRA), and the Theory of Planned Behaviour (TPB). Next, Rest's (1986) Moral Decision Making Model, the Multidimensional Ethics Scale (MES) used to measure ethical sensitivity in this study, culture as measured by Hofstede's (1980) National Cultural Dimensions, are presented. The discussion of past studies on attitudes, subjective norms, perceived behavioural control, ethics and culture also form part of this chapter. The chapter ends with a brief summary.

2.1 An overview of economic and non-economic approaches in tax compliance studies

The study of tax can be approached from multidisciplinary areas (McKerchar, 2010) such as law, economy, accounting, psychology and public finance. Essentially, previous tax compliance studies explain the issues of tax compliance (or non-compliance) by using either economic-based theories or psychology-based theories (Alm et al., 1995; Andreoni et al., 1988; Alley & James, 2006). The differences in both approaches are related to the concept of the tax gap in the economic approach and voluntary compliance in the psychology-based approach or also known as the behavioural approach (Alley & James, 2006). As a

result of the different approaches, researchers in tax compliance studies explain tax compliance as either a problem of economic rationality or behavioural cooperation. The characteristics between the two approaches are illustrated in the following Table 2.1.

Table 2.1 Economic verses Psychology Approaches in Tax Compliance Studies

Tax compliance	**Economic approach**	**Psychology approach**
Concept	Tax gap (100% compliance less actual revenue)	Voluntary, willingness to act in accordance with the spirit as well as the letter of the law
Definition	Narrower	Wider
Tax compliance	Economic rationality	Behavioural co-operation
Exemplified by	Trade off: 1. Expected benefits of evading 2. Risk of detection and application of penalties 3. Maximise personal wealth	Individuals are not simply dependent, selfish utility maximisers. They interact according to differing attitudes, beliefs, norms and roles. Success depends on co-operation
Issues of	Efficiency in resource allocation	Equity, fairness and incidence
Taxpayer seen as	Selfish calculator of pecuniary gains and losses	Good citizen
Can be termed	Economic approach	Behavioural approach

Source: James and Alley (2002, p. 33).

In studies utilising the economic-based theories, taxpayers are assumed to be rational in their decision making and therefore choose the options which maximize their expected after-tax return. The economic-based theories in tax

compliance studies promote economic benefits or costs as motivations to increase compliance. Thus, economic (tax) parameters, such as probability of being audited, penalties and tax rate(s), are commonly used in this economic approach to measure the level of compliance.

Becker (1968) was the first to introduce the concept of crime and punishment from an economic approach (Kirchler, 2007). In his model, Becker (1968) argues that individuals make rational decision before committing a crime by choosing among the different types of risky or safe options. This concept of understanding crime and punishment from an economic approach was then applied into taxation in a formal model by Allingham and Sandmo (1972). Since then, the seminal work of Allingham and Sandmo (1972) has become a benchmark in economic-based tax compliance studies (Andreoni et al., 1998). Their economic deterrence model was the first formal tax evasion model to explain tax compliance behaviour using Expected Utility Theory. Expected Utility Theory assumes that individuals are rational in their decision making despite the uncertainties and risks. In line with Expected Utility Theory, the Allingham-Sandmo Model assumes that taxpayers are rational, risk averse or risk neutral, and maximise utility in their decision making.

The Allingham-Sandmo Model specifically examines the income of individuals in two situations, the first being income after paying for taxes and penalties in cases when evasion is discovered and punished, while the second situation examines income when evasion is not discovered. The Allingham-Sandmo Model suggests that taxpayers would only report their income after

considering the tax rates, the probability of being detected and the level of punishment.

Despite being replicated and extended in many studies, the economic deterrence model is criticised essentially because of its narrow scope such as by assuming the probability of audit is constant and a high penalty rate, both being inconsistent with reality (Andreoni et al., 1998). To a certain extent punishment and enforcement could encourage compliance, yet they cannot explain all compliance behaviour (Alm, 1991), since other subjective factors may also contribute to decision making in complying with the tax law (Alm et al., 1995). Notwithstanding that economic-based theory studies can explain tax compliance to a certain extent, the weaknesses in economic-based theories, in their attempt to fully explain tax compliance, offer opportunities to explore the issue of tax compliance from a non-economic perspective. The synthesis of the literature by Jackson and Milliron (1986), for instance, indicates that compliance with tax law is determined by numerous factors and is not limited to economic factors.

While the economic-based theories offer economic benefits or costs to increase tax compliance, psychological theories, on the other hand are more focused on using psychological factors to motivate tax compliance. Thus, factors such as attitude, moral judgment, social norms, fairness and ethical concerns, are used to explain compliance with the tax laws (Tan & Sawyer, 2003; Alley & James, 2006). The psychological school of thought, for instance, argues that taxpayers comply with their tax obligations regardless of the level of penalties, the probability of being audited or any other economic-based enforcement. Findings from recent studies, such as Trivedi et al. (2005) and Bobek et al. (2007b), support

the argument that psychological factors are better in explaining tax compliance compared to economic factors. However, there is also a possibility that some taxpayers may operate with a mixture of both economic and psychological factors in fulfilling their tax obligations. Recent studies, such as Blanthorne and Kaplan (2008), provide an example in which both economic and psychological factors influence the decision of taxpayers in complying with the tax law. This is because, to a certain extent, taxpayers are influenced by the economic benefits or costs in their decision making (Alley & James, 2006).

The different theoretical approaches in explaining tax compliance contribute to identifying the different type of factors in tax compliance research. Based on a synthesis of prior studies in tax compliance, Jackson and Milliron (1986) suggest fourteen main variables in tax compliance studies. The factors identified are age, gender, education, income level, source of income, occupation, peer influence, ethics, fairness, complexity, contact with revenue authority, sanctions, probability of detection and tax rates. In addition, in their synthesis, Jackson and Milliron (1986) also group cost of compliance, tax agents, framing decision and positive inducements, as other variables. In an update of Jackson and Milliron's (1986) study, Richardson and Sawyer (2001) suggest similar categorizations in identifying the key factors discussed in tax compliance studies from the period 1986 to 1997.

The extended model of tax compliance by Fischer et al. (1992), known as the Fischer Model, which is based on Jackson and Milliron's (1986) study, broadly classified those fourteen factors into four groups. These four groups are:

(1) Demographic (for example, age and gender),

(2) Proxy for non-compliance opportunity (such as education, income level, income source and occupation),

(3) Attitudes and perceptions (for instance ethics, perceived fairness of the tax system and peer influence), and

(4) Structural (such as complexity of the tax system, contact with the tax authority, sanctions, probability of detection and tax rates).

Singh (2003) suggests three categories of factors in voluntary tax compliance namely:

(1) Willingness to comply,

(2) Ability to comply, and

(3) Opportunity to evade tax.

Willingness to comply comprises tax ethics, peer influence, perceived fairness, individual psyche and the real cost of compliance. Ability to comply incorporates the levels and type of education, experience, complexity of tax laws and quality of assistance. Severity of penalties, probability of detection, sources of income, and tax status, are all considered as opportunity to evade tax. Despite tax agents being considered as one of the important factors in tax compliance (Jackson & Milliron, 1986; Richardson and Sawyer, 2001), studies on tax agents are still considered to be relatively scant compared to other factors in tax compliance studies (Tan, 2006).

With regard to factors that contribute to the ethical decision making of tax agents in complying with tax laws, Roberts (1998) reviewed 52 published tax studies, across 50 separate factors which were later classified into 5 groups. The five groups of factors which form the "Economic Psychology-Processing (EPP) Model" (Roberts, 1998, p. 82) are:

(1) Individual psychological factors,

(2) Environmental factors, in terms of risks and rewards,

(3) Input task factors,

(4) Processing factors, and

(5) Output task factors.

The findings from the review by Roberts (1998), for instance, suggest that the ethical attitude of tax agents is an affective psychological factor which influences their ethical decision making. In brief, Roberts (1998) proposes that both individual and economic factors influence the ethical judgment of tax agents. Table 2.2 presents the summary of Robert's (1998) review.

Table 2.2 Factors tested for association with tax accountants' judgment or decision making

1. Individual Psychological Factors	
Cognitive • Years of experience • Task experience • Knowledge • Knowledge of transactions • Formal education • Job title/position in the firm • Age • Problem-solving ability	Affective • Advocacy • Tax accountant's risk preference • Ethical attitude • Attitudes related to professional status • Attitudes related to firm size • Attitudes associated with gender
2. Environmental Factors: Risks and Rewards	
IRS Position • Audit probability • Audit success prediction • Penalties • IRS position on the issue • Probability of issue being examined on audit • Applicable regulatory standard for reporting • Tax rate structure Firms Expectation • Economic benefit to firm	Client Characteristics • Dollar amount of savings at stake • Client payment status • Client risk preference • Client importance • Client tenure • Client preference for tax-reporting position • Client sophistication • Amount of income/operating performance • Client dependability • Client records • Conformity of item with client's financial reporting
3. Task Factors: Inputs	
• Ambiguity • Structural similarity of authoritative sources • Outcome of authoritative sources	• Amount of legal authority • Complexity of law • Staff recommendation
4. Processing Factors	
• Information order • Structured problem-solving approach • Decision aid availability • Framing of issue as gain/loss • Certainty of outcome	• Confirmation bias • Hindsight bias • Accountability • Time pressure • Group discussion
5. Task Factors: Output	
• Planning v compliance context	

Source: Adapted from Roberts (1998, p. 82).

Past studies which adopted the economic deterrence approach suggest that tax compliance is driven by the trade-off between costs and benefits of non-compliance. On the other hand, the psychology model attempts to understand tax

compliance as a behavioural problem. Since this study is interested in understanding the behavioural aspect of tax agents in their decision making, the behavioural approach is considered more appropriate. Thus a number of behavioural factors will be examined to understand the ethical decision making of tax agents. For that purpose, this study extends the TPB by incorporating ethical sensitivity and the influence of culture.

Ajzen (1991) proposes that an individual's behaviour can be explained by his/her intention and perceived behavioural control. Ajzen (1991) further postulates that the intention of an individual to perform a behaviour in return is determined by an individual's attitude, subjective norms and also perceived behavioural control that an individual has. Collins (2000) found that ethical sensitivity influences the ethical judgment of accountants and in a similar vein, Tan (2006) proposes that future studies in tax agents should explore more the influence of ethical sensitivity in the ethical decision making of tax agents. Another important aspect in the ethical decision making is the influence of culture. For instance, in reviewing the Fischer Model, Chau and Leung (2009) suggest including culture to explain tax compliance behaviour. To provide some understanding of tax agents' ethical decision making while performing their roles, the remaining discussion in this chapter focuses on the theories and selected factors that are relevant for the study.

2.2 Theories of human social behaviour

The Theory of Reasoned Action (TRA) and the TPB are commonly used to predict human behaviour (Sheppard et al., 1988; Armitage & Conner, 2001). According to Nosek et al. (2010), Ajzen's (1991) work has the greatest influence among the US and Canadian social psychologists. This implies the significant

contribution that both the TRA and the TPB have made in understanding human behaviour. These two psychology theories are discussed in the following sub-section.

2.2.1 Theory of Reasoned Action

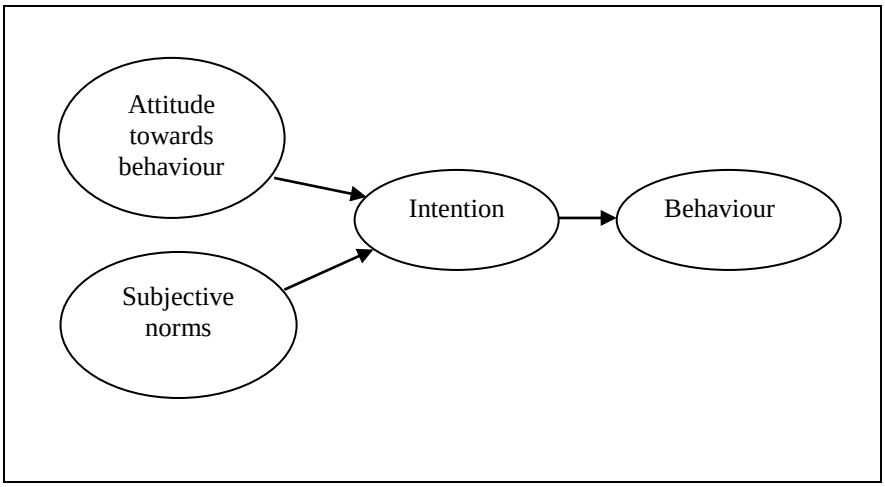
The Theory of Reasoned Action (TRA) is a social psychology theory which attempts to explain human behaviour postulated by Ajzen and Fishbein (1980). Based on the cognitive self-regulation theory, the central idea in this theory assumes that the behaviour of an individual is determined by the intention to perform the behaviour. The intention is considered as the subjective probability that motivates and captures the determination that one has to perform the behaviour (Ajzen, 1991). Therefore, the stronger the intention towards the behaviour, the more likely the behaviour will be performed. Ajzen and Fishbein (1980) also postulate that the intention to perform behaviour is in return influenced by underlying beliefs, which are the attitude towards the behaviour and subjective norms.

The attitude towards the behaviour refers to whether an individual perceives the consequences of a particular behaviour as favourable or unfavourable. The behavioural beliefs which are formed as a result of the positive and negative consequences an individual might experience influence the attitude of a person. The behavioural beliefs are salient beliefs which are obtained through experience and learning. Thus, an attitude towards a behaviour is considered to be favourable if the person perceives a positive outcome from performing the behaviour. On the other hand, the attitude towards behaviour is deemed to be unfavourable if the person perceives a negative outcome.

The subjective norms are the general social pressure of either performing the respective behaviour or not performing the behaviour. The TRA suggests that a person forms beliefs from people important to them, whether or not these people approve or disapprove the behaviour, and whether or not these people themselves perform the behaviour. Normative beliefs underlie the subjective norms of a person. Ajzen (1991) argues if the people who are important to a person perform or approve of a particular behaviour, there is also a possibility for that person to perform the similar behaviour.

The TRA is illustrated in Figure 2.1. The TRA assumes that a person has complete control in deciding whether or not to perform a particular behaviour. This assumption is a drawback to the theory since the behavioural intention may not always lead a person to performing the behaviour especially when the person has incomplete volitional control to perform the behaviour (Sheppard et al., 1988).

Figure 2.1 Theory of Reasoned Action



Source: Ajzen and Fishbein (1980, p. 84).

2.2.2 Theory of Planned Behaviour

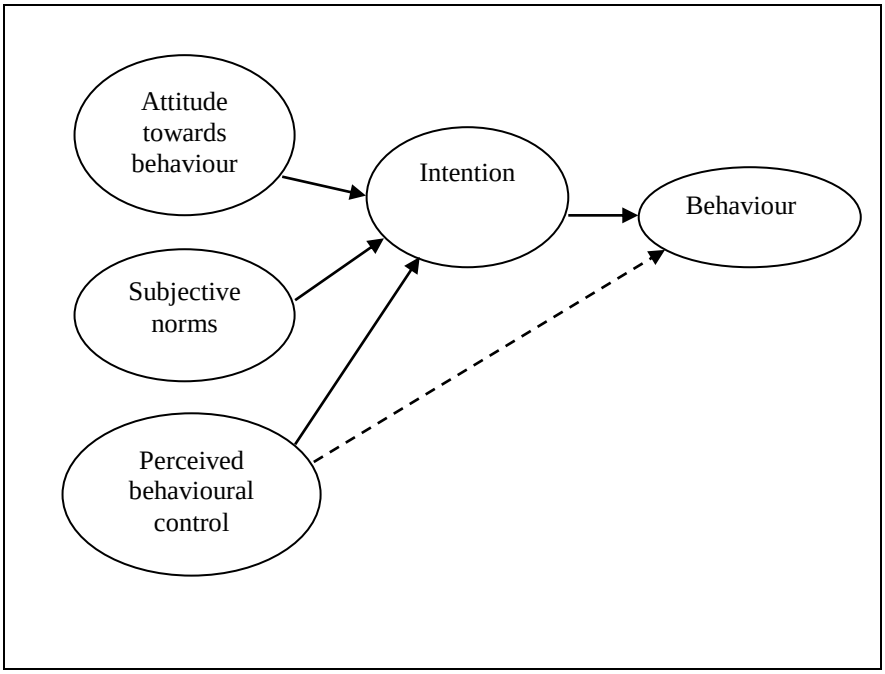
To overcome the limitation of the TRA, Ajzen (1991) introduced another construct to the TRA, perceived behavioural control, to comprehensively predict human behaviour. The extended theory is known as the Theory of Planned Behaviour (TPB). In the original TRA, the behaviour of a person is influenced only by the intention to perform the behaviour. In the TPB, it is assumed that the behaviour of a person is determined not only by the intention, but also the ability of that person to have control in performing the behaviour.

Ajzen (1991) argues that a particular behaviour may not likely to occur if that person does not have control over performing the behaviour, even in the existence of positive attitude and positive influence from important others towards the behaviour. Since measures for actual behaviour are not available, perceived behavioural control becomes a proxy for actual behaviour (Fishbein & Ajzen, 2010), and the prediction of actual behaviour can be improved if perceived behavioural control precisely reflects actual control. The perceived behavioural control also influences the intention to perform the behaviour. It also explains the reason intention does not always predict behaviour, since there are potential constraints that may prevent a person from performing behaviour (Armitage & Conner, 2001). The perceived behavioural control considers personal and environmental factors, such as the availability of information, skills and opportunities for a person to engage in a particular behaviour (Fishbein & Ajzen, 2010).

In summary, the TPB suggests that the intention to perform behaviour, and the perceived control that a person has to perform the behaviour, lead to conducting

the behaviour. The intention or readiness to perform a behaviour depends on the attitude that a person has towards performing the behaviour, the acceptance of people important to that person towards the behaviour, and the perceived control that a person has to perform the behaviour which vary from one behaviour to behaviour. The TPB is presented in Figure 2.2.

Figure 2.2 Theory of Planned Behaviour



Source: Ajzen (1991, p. 182).

To test the reliability and validity of his theory, Ajzen (1991) performs a meta-analysis of 16 studies in various areas such as drinking problems, weight loss, voting elections, cheating in an examination, all of which support his theory. Madden et al. (1992) compared the TRA and the TPB on ten different behaviours. Their study found that the TRA is more relevant when the behaviour being examined is under volitional control. In contrast, the TPB is more applicable and superior in explaining behaviour if the assumption of volitional control is violated.

The result of Ajzen's (1991) meta-analysis is further supported by Armitage and Conner (2001). In their meta-analysis study, Armitage and Conner (2001) examined the competency of the TPB in understanding intentions and behaviour in people from a database of 185 independent studies published up to the end of 1997. The authors suggest that the TPB could explain around 27 percent and 39 percent variance in behaviour and intention, respectively. Indeed, perceived behavioural control contributes an average of 6 percent more to the prediction on intention compared to attitude and subjective norms. In contrast, subjective norms are found to be the weakest predictor of intention. It is argued that the measurement of subjective norms contributes to an unconvincing result since the majority of the TPB studies used single-item measurement for subjective norms. The meta-analysis by Armitage and Conner (2001) also reveals that one of the strengths of the TPB is its broad ability to predict behaviour across various fields of studies.

The findings from a more recent meta-analysis study by McEachan et al. (2011) from 206 articles across a range of health behaviour-based studies also support the use of TPB to explain behaviour towards for instance dieting, physical activity, abstinence from drugs and safer sex. Despite the intention-behaviour correlation indicating a weaker relationship compared to the findings from Armitage and Conner (2001), the correlations between attitude-intention, subjective norms-intention and perceived behavioural control-intention are reportedly stronger, ranging from 0.4 to 0.57, compared to the previous meta-analysis of Armitage and Conner (2001). The weaker correlation for intention-behaviour relationship is possibly due to the fact that in McEachan et al. (2011), the meta-analytic studies, examine behaviour only sometime after participants

completed the TPB survey. The time gap within the period of completing the TPB survey and observing the actual behaviour may have influenced the participants' intention-behaviour relationship (McEachan et al., 2011). Interestingly, attitude towards behaviour remain the strongest predictor of intention.

Despite the support shown for using the TPB in understanding human behaviour, it has also been criticized for several reasons. For instance, even though the theory records a link between intention and behaviour, the link is nevertheless weak or moderate and too 'rational', ignoring the bias that human has in making judgments (O'Fallon & Butterfield, 2005; Shawver & Sennetti, 2009). Similar to other behavioural-decision making models, the TPB depends on self-reports and thus the data can have biases which reduce the reliability and validity of the theory. In addition, although Ajzen (1991) claims self-efficacy and perceived behavioural control are identical, many studies indicate that self-efficacy and perceived behavioural control are not alike (e.g. Armitage & Conner, 2001).

In his reply to the criticisms against the TPB, Ajzen (2011) clarifies that the theory never assumes rationality in predicting reality. He argues that the misunderstanding occurs among researchers because the TPB is concerned with goal-directed behaviour guided by self-regulatory processes which is misinterpreted as acting in rationality. According to Ajzen (2011) the low correlation between the intention and actual behaviour could differ considerably because other mediating factors could exist between the period the intention is assessed and the time the actual behaviour is examined. These mediating factors may reduce the effect of the predictive validity of intention which is taken before the actual behaviour is examined. With regard to the use of self-report, the

findings of Armitage and Conner (2001) suggest that TPB could better explain the variance in behaviour when self-reports are used compared to when behaviour is observed. While self-efficacy was found to be more capable in explaining behaviour compared to perceived control in the meta-analysis by Armitage and Conner (2001), they caution that the results are not conclusive since there is a possibility that the different effect of self-efficacy and perceived control of behaviour may vary depending on the type of behaviour.

Ajzen (2011) argues that the central idea of the TPB is to predict intention for behaviour which is goal-directed and driven by conscious self-regulatory processes. The act of complying with the tax laws could be considered to be a behaviour which is goal-directed (the aim is to comply with the tax laws), specifically "behaviour which is said to be reasoned or planned" (Ajzen, 2011, p. 1116). Due to the nature of their roles in the tax system as advocates for their clients and as an intermediary, there is a possibility that tax agents put themselves in a conflicting position. A study by Marshall et al. (1998) for instance, suggests that continuing to act for clients in an unethical situation is among the most common ethical dilemma faced by tax agents under SAS in Western Australia. While tax agents may want to comply with the tax law, there are other factors that may influence them on not being objective in their decision making. As an example, the mixed findings in the debate on who is instigating aggressive tax reporting, whether the clients or the tax agents (Tan & Sawyer, 2003), imply the possibility that the client may influence tax agents in tax reporting.

Based on the foregoing discussion, the application of the TPB in this research which considers the existence of incomplete volitional control to predict

intention is considered more appropriate compared to the TRA which assumes volitional control in predicting intention to perform the behaviour. Since tax compliance and behaviour is influenced by various factors (Jackson & Milliron, 1986; Richardson & Sawyer, 2001) the flexibility of the TPB, which allows for the addition of other predictors to improve or explain the variance in intention and behaviour (Ajzen, 1991) in this regard, provides another reason for choosing the TPB for this research. Furthermore, while the TPB has been used extensively in other areas of studies such as the meta-analysis studies of Ajzen (1991), Armitage and Conner (2001) and McEachan et al. (2011), and is arguably the most dominant model to capture the relationship between attitude and behaviour (Armitage & Christian, 2003), the use of the TPB in tax research is limited. This is evidenced from a number of studies, such Bobek and Hatfield (2003), Trivedi et al. (2005), Saad (2010; 2011), Langham et al. (2012) and Smart (2012). Despite its limited application in tax context, the use of the TPB in previous taxation studies supports the TPB in explaining tax compliance behaviour.

2.3 Rest's (1986) Ethical Decision Making Model

Tax compliance refers to the willingness of taxpayers to comply with the tax laws and non-compliance is associated with violating the tax laws whether or not it is intentional (Kirchler, 2007). This is consistent with Kinsey (1985) who defined non-compliance with the tax laws as the failure, intentional or unintentional of taxpayers to meet their tax obligations. James and Alley (2002) argued that while tax evasion is clearly illegal and a form of non-compliance, excessive tax avoidance such as searching for every possible legitimate deduction to reduce tax liability cannot be considered as compliance as well because even if

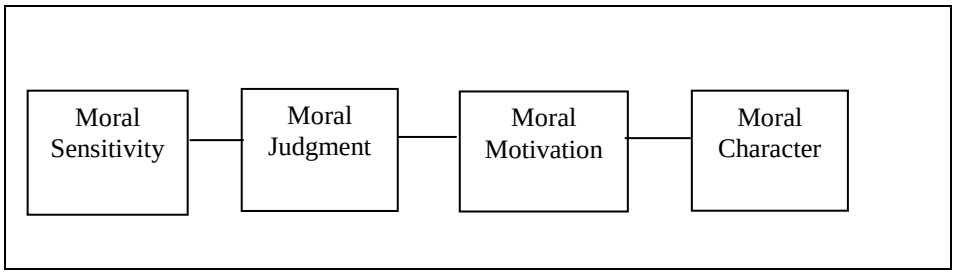
the transaction is within the letter of the law, it is not within the spirit of the law. This is also supported by Elliffe (2001) who argued that an aggressive tax avoidance approach can lead to tax evasion. Consequently, tax compliance (and non-compliance) behaviour is a result of ethical or unethical decision making process (Singh, 2003).

Previous research in ethical decision making is dominated by two approaches, namely: normative ethics and descriptive ethics (Alzola, 2011). Normative ethics are derived from moral philosophy and theology, and focus on how decisions should ideally be made (Whittier et al., 2006). The normative ethical approach relies on the concept of *ought to be,* such as how people should act in situations that need an ethical consideration. Distributive Justice Theory (DJT) is an example of a normative ethical theory used to understand tax compliance behaviour in tax compliance studies. The application of DJT in tax compliance studies addresses issues associated with fairness and justice, such as how much taxpayers have to pay or are entitled to receive, and whether they get what they deserve. Thus, DJT argues that perceptions of justice in the tax system could motivate taxpayers in complying with the tax law (Frecknall-Hughes & Moizer, 2005).

In contrast, descriptive ethics or behavioural ethics depend on empirical evidence in solving ethical issues. The descriptive ethics approach is concerned with understanding the actual behaviour of people when solving an ethical dilemma (Crane & Matten, 2007). The practical aspect of this descriptive approach perhaps explains the reason for descriptive ethics being widely used in ethical decision making research. A review by O'Fallon and Butterfield (2005), from research

published in leading ethics business journals, indicates that descriptive ethics have become an important area of research based on the number of studies undertaken, with 110 studies before 1993, and the number increasing to 174 for the period between 1994 and 2003. An example of a descriptive ethics-based decision making model that has become the focus of many empirical studies is the Rest's (1986) Model (O'Fallon & Butterfield, 2005) which is illustrated in Figure 2.3.

Figure 2.3 Ethical Decision Making Model



Source: Crane and Matten (2007, p. 131).

According to Rest (1986), moral behaviour is determined by four independent elements which do not occur in sequence. They are moral sensitivity, moral judgment, moral motivation and moral character or ego strength. Moral sensitivity refers to the awareness that our action may impact others. By having moral sensitivity, a person imagines the various possible actions and their effects on others. Rest (1986) argues that lack of ethical or moral sensitivity in recognizing ethical issues in the first instance may lead to unethical behaviour. Another consideration in Rest's (1986) ethical decision making model is a person's moral judgment which evaluates whether an action is morally right or otherwise. In contrast to the Cognitive Moral Development Theory (CMDT) proposed by Kohlberg (1969), Rest (1986) postulates that despite the moral judgment is significant, it is not the only determinant of behaviour. The priority that a person

chooses in performing behaviour underlies the moral motivation concept in Rest's (1986) Model.

According to Rest (1986), a person may act unethically, not because that person does not have the awareness to recognize a moral issue (moral sensitivity) or does not have the ability to assess the right action (moral judgment), but because that person does not put moral values as a priority (moral motivation). For instance, a person's self-interest may set aside his or her moral consideration. In addition to the three elements, Rest (1986) also argues that a person's moral character or their personality attributes, such as ego strength, determination and courage, are also possible to exert influence in ethical decision making. Thus, a person may have a strong awareness in recognizing moral issue, good moral judgment, put high priority to moral values but may act unethically if that person has weak moral character.

In summary, Rest (1986) proposes that success in one component of his model does not ensure success in the other components. This maybe because, the four components in Rest's (1986) Model are conceptually distinct and do not occur in stages. Indeed, to explain moral behaviour, each element in the model could be examined separately. For instance, O'Fallon and Butterfield (2005) suggest that future studies applying Rest's (1986) Model should examine in more detail the moral sensitivity component since little research has been conducted to explore the moral sensitivity component compared to the other three components in Rest's (1986) Model. The significance of Rest's (1986) Model could be implied by it being the most cited model in accounting ethics-related studies for the period between 1988 and 2007 (Uysal, 2009). Rest's (1986) Model is a general ethics

model that could easily be used to understand individual decision making in organizational settings (Jones, 1991). This perhaps explains the considerable support for Rest's (1986) Model in the ethics literature.

Notwithstanding considerable support for Rest's (1986) Model, similar to other descriptive ethical decision making models which have largely originated in the United States (US), the model may contain cultural bias (Crane & Matten, 2007). This is due to Rest's (1986) Model being based on the US culture which may contain different values from other Western and non-Western cultures. For instance, according to Crane and Matten (2007), in the US, the interest in ethics studies is more on the individual actors or behaviour, whereas in the European countries, the focus is more on the design of the economic institutions and their functions. The different emphasis of ethics studies between the US and the European countries results in a strong US bias when examining the influence of individual factors such as age, gender, level of education in ethical decision making whereas, a strong European bias exists when discussing situational factors such as organizational culture, work roles and rewards in ethical decision making.

Crane and Matten (2007) further argue that, since the components in Rest's (1986) Model can be examined individually, it could possibly mislead us in our understanding because to differing degrees, the components in Rest's (1986) Model may be related or interdependent. Rest's (1986) Model is also criticised for assuming that people behave in the same manner irrespective of the moral issues involved. Jones (1991), whose proposition, has gained considerable support in ethics-based studies (eg. O'Fallon & Butterfield, 2005; Waldron, 2009), in contrast,

suggests that individual judgment differs according to the moral intensity of the ethical issues.

Despite the criticisms, Crane and Matten (2007) agree that Rest's (1986) Model is appropriate to be used as a tool to understand the complex way of making ethical decision but not as an ultimate representation of understanding ethical decision making. Based on the foregoing discussion, and since ethical sensitivity is important in the ethical decision making of accountants (Collins, 2000), this study has selected the moral sensing element from Rest's (1986) Model to understand the ethical decision making of tax agents in Malaysia and New Zealand while performing their engagement roles. This approach also seeks to respond to the concern addressed by Tan (2006) on the scarcity of studies on ethical sensitivity in understanding tax compliance behaviour of tax agents. The ethical sensitivity in this study is operationalized using the Multidimensional Ethics Scale (MES) which is explained in the following sub-section.

2.3.1 Multidimensional Ethics Scale

Notwithstanding ethics is important in explaining tax compliance behaviour (Jackson & Milliron, 1986; Richardson & Sawyer, 2001; Alm & Torgler, 2011), the issue of how to measure ethics in tax compliance is still debatable (Richardson & Sawyer, 2001). In the ethics literature, a review by Kujala et al. (2011), found that a tool to measure ethics which has been commonly used by researchers is the Multidimensional Ethics Scale (MES) developed by Reidenbach and Robin (1988; 1990). Arguably, humans rely on more than one ethical dimension in making ethical decisions, and because a single measurement scale of ethics cannot capture the various ethical perspectives in making an evaluation, the

single measurement scale has reliability problems (Reidenbach & Robin, 1988; 1990). As an improvement to the single scale measurement of ethics, using a factor analysis, Reidenbach and Robin (1988) developed a multidimensional ethics scale in marketing ethics consisting of 33 items which reflect five normative moral philosophies.

According to Reidenbach and Robin (1990), the five normative moral philosophies which formed the foundation of MES are not merely moral philosophies but encompass religious values which cover most of the distinguished concepts for social survival. They suggest "ideas of fairness, justice, contract, duty, consequence, greatest good and many others that come from the five philosophies can also be found in the Bible, the Koran, the writings of Buddha and in other religions" (Reidenbach & Robin, 1990, p. 640). They argued that, as a result, the MES offers a pivotal point for ethical decision making.

The first ethical dimension is justice which comes from the Theory of Justice (Reidenbach and Robin, 1990). The Theory of Justice perceives fairness in two dimensions: fair procedures and fair outcomes (Crane and Matten, 2007). Consequently, the concepts of distributive and procedural justice, such as fairness and equity, are highlighted in this theory.

The second ethical dimension is relativism, which refers to the belief that there is no universal ethical rule for everyone since ethical rules are relative to a specific culture. Therefore, according to relativism, what is considered as right or wrong is only applicable to that particular culture. For instance, the imposition of

Western culture on other cultures, such as Asian culture, is considered to violate the concept of relativism in ethics (Beauchamp et al., 2009).

The third ethical dimension is egoism, an aspect of Teleological Ethics Theory (TET),[6] which measures morality based on the consequences of an action in the long term. Egoism Theory promotes the well-being of one individual over everyone else which reflects that individuals should act on the basis of one's self interest. Thus an individual should only act for others if it brings benefit to one's own interest and does not care of the welfare of others unless it affects the welfare of oneself (Beauchamp et al., 2009).

The fourth ethical dimension in MES is utilitarian, another concept in TET. It emphasizes the concept of efficiency in ethical decision making by considering the greatest possible ratio of good to evil for all in the society. According to Utilitarian Theory, the consequences of an action determine whether or not an act is ethical. It also focuses on the maximisation of benefits and minimisation of harm. Thus, from the utilitarian perspective, it is acceptable to break a law if breaking the rule brings the greatest benefits over bad consequences to greatest of people (Beauchamp et al., 2009). The concept of cost and benefit analysis in accounting, for instance, implies the utilitarian dimension in ethical decision making (Cohen et al., 1993).

[6] The traditional ethical theories could be divided into consequentialist and non-consequentialist. The consequentialist ethics is also referred as teleological ethics. The term teleological is originated from the Greek word for 'goal'. On the other hand, non-consequentialist ethics is based on their individual's right and duty. It is based on the deontological concept. The word deontological is a Greek word for 'duty' (Crane & Matten, 2007).

The fifth and final moral philosophy in MES is deontology, represented by the contractualism dimension. The deontology philosophy emphasizes the belief that individuals have a duty to fulfil the claims of others by applying logic to an ethical rule through a social contract. It is based on the decision maker underlying principles of being ethical. An action is deemed as ethical if the decision maker's underlying principle perceives the action as morally right (Crane & Matten, 2007). The individual's duty is translated in an unwritten contract or unwritten obligations (Cruz et al., 2000).

Reidenbach and Robin (1990) later reduced the original MES from 33 items to 8 items, representing three groups of ethical dimensions which are: moral equity, relativism and contractualism. Similar to the original MES, the moral equity dimension reflects an individual perception of fairness and justice, expectation of family and what is morally right or not in ethical decision making. Relativism concerns the importance of culture and tradition in determining what is right or wrong in the decision making which results in the importance of culture or social system overtakes individual considerations. Finally, contractualism represents the social construct in the form of duties, rules, obligations between businesses and society in ethical decision making.

The main advantage of MES is its ability to capture the beliefs of a person in ethical decision making while at the same time it reveals the reasons for believing that a particular action is ethical or unethical by using different ethical philosophies. This is important since not all people fit into one category (Reidenbach & Robin, 1988; 1990). In addition, MES also allows people to use only one ethical framework to make ethical decisions in all situations (Shawver &

Sennetti, 2009; Casali, 2011). As a result, MES is argued to better capture the complexity in ethical decision making (Cohen, et al., 1993). Moreover, compared to other ethics measurement scales which focus on the psychological aspects of individuals, such as the Defining Issues Test (DIT) or Managerial Judgment Test (MJT), MES is considered more appropriate to measure ethics since it is based on moral theories (Casali, 2011).

Furthermore, the five ethical theories in MES provide more explanation of the ethical choices rather than just measuring the cognitive development of an individual. The different ethics effects could be measured by using MES, since different but correlated dilemmas could be used in an MES questionnaire, unlike the DIT which only allows for fixed original dilemmas in its questionnaire (Shawver & Sennetti, 2009). The use of multiple items in the MES could also enhance the reliability of the scale instrument (Cohen et al., 1993).

The use of MES in measuring ethics, however, is criticized for a number of reasons. The validity of MES in ethics studies can be challenged due to the ambiguous scale items, faulty scale development procedure, lack of ethical rationales, and mixed findings from replicated studies which indicate the instability of the scales (Hyman, 1996). Other studies, such as Kujala and Pietilaihen (2007) and Casali (2011), argue that the MES should not be considered as a multidimensional since it was developed from a single group of ethical theories, namely the traditional ethical theories. The MES, for example, does not consider contemporary ethical theories such as virtue ethics, which is capable of influencing ethical decision making (Casali, 2011) or female ethics (Kujala & Pietilaihen, 2007; Kujala et al., 2011), which reveal other attributes of an individual such as

caring. Indeed, the MES is claimed to be biased since it embraces the masculine culture by only accentuating masculine attributes, such as justice, fairness, independence and rationality (Kujala & Pietilaihen, 2007; Kujala et al., 2011). Consequently, the MES should not be considered to be multidimensional; rather it only provides a general pattern of ethical decision making (McMahon & Harvey, 2007).

Furthermore, Shawver and Sennetti (2009) question the ability of the MES to reveal the fundamental justifications of being ethical and unethical since the scales in the MES do not correspond to any objective, unlike the DIT scores, which are correlated with the stages in Kohlberg's (1969) moral development. Therefore, higher scores in the MES do not imply better moral cognition; instead the scores only offer an explanation to the respondents' choices. Notwithstanding that the MES is designed to measure ethical judgment across a range of scenarios, as argued by Reidenbach and Robin (1988; 1990), findings from prior studies that used the MES, (for instance, Cohen et al., 1993; McMahon and Harvey, 2007; Kujala and Pietilaihen, 2007; and Nguyen and Biderman, 2008), found that the MES is situation specific. Indeed, to validate the MES, Reidenbach and Robin (1988; 1990) used a within-scenario approach. Therefore, the MES should not be considered as multidimensional since it is scenario dependent. This perhaps explains the mixed support of MES in ethics studies (Nguyen & Biderman, 2008).

As an improvement to the original MES, different forms of the MES scales have been used in ethics research, such as by Cohen et al. (1993), who refined the MES to a 15-item scale representing all the five moral philosophies in an accounting context. Using similar approach to Reidenbach and Robin (1988; 1990),

six scenarios, of which two were related to retail scenarios and the remaining four were accounting-based scenarios, were used to test the refined version of the MES. The study involved a sample of accounting academics and members of the international section of the American Accounting Association who came from various cultural backgrounds across the United States. Principal component factor analysis was then applied to generate the factors and the Cronbach's Alpha for each factor ranging from 0.86 to 0.96 indicating high reliability. The finalised 15-item scales consist of four items representing moral equity, two items to measure relativism, and three items each for contractualism dimension, egoism and utilitarianism.

A recent example of using MES in measuring ethical sensitivity in an accounting context is provided by Buchan (2005) who extended TPB with ethical sensitivity and instrumental ethical climate among public accountants in the US. Two scenarios, which are developing a bid for a new client and charging personal expenses to the firm, were used to test the relationship between ethical sensitivity and intention of public accountants from five public accounting firms in the Northeast US. No support, however, was recorded for the relationship between ethical sensitivity and intention which is most likely because the scenarios being used to examine ethical sensitivity were different from the scenarios used to measure intention in the TPB. Based on the findings, Buchan (2005) also concludes that MES is situation specific.

With regard to applying MES in tax context, Cruz et al. (2000) have tested the refined version of MES by Cohen et al. (1993) and incorporated gender as another dimension in the MES. The study of Cruz et al. (2000) examined the

ethical judgment of tax agents when they are pressured for providing aggressive reporting. The findings suggest that all of the five moral philosophies in the MES influence the ethical decision making of tax agents. The influence primarily comes from moral equity and contractualism. Indeed, moral equity has the highest influence on self-reported intentions in all three cases presented in the study. The study also found that relativism and utilitarianism had the largest effect on peer behaviour.

As tax compliance and non-compliance behaviour is associated with ethical or unethical decision making, therefore, after considering the advantages and the disadvantages of using the MES, this study will use the MES as proposed by Cruz et al. (2000) to capture the moral sensitivity in ethical decision making of tax agents in Malaysia and New Zealand, except for the exclusion of a gender scale. The gender scale is excluded from the MES since this study uses the TPB which assumes that the influence of demographic variables is already captured in the attitudes toward behaviour. Cruz et al.'s, (2000) version of MES, overall, indicates high reliability ranging from 0.73 to 0.94 for the moral equity, contractualism, relativism and utilitarianism dimensions in all three cases presented in the study. The only dimension rejected is egoism which indicates an average of 0.49 level of reliability in all three cases. Furthermore, as Cruz et al.'s (2000) MES version has been tested in a tax context, it is deemed appropriate for this study.

2.4 The concept of culture

The classic work of Kroeber and Kluckhohn (1952) synthesizes 164 definitions of culture from various subject areas to understand the meaning of culture. In their study, the authors divide the definitions of culture into six groups,

namely descriptive, historical, normative, psychological, structure of patterns, and genetics. Based on their review, Kroeber and Kluckhohn (1952) argue that culture can be characterized by symbols, is shared, learned, a way of behaving, a feeling and reaction, and this includes the 'implicit culture' which differs between societies. The authors also argued that 'whole' culture consists of many overlapping sub-cultures which could be regional, economic, status, occupation, cliques or the combinations of all the aforementioned characteristics. Based on this synthesis, Kroeber and Kluckhohn (1952, p. 181) define culture as:

> *"Consist[ing] of patterns, explicit or implicit, of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievements of human groups, including their embodiments in artifacts; the essential of culture consists of traditional (historically derived and selected) ideas and especially their attached values; cultural systems may on the one hand be considered as products of action, on the other as conditioning elements of further action."*

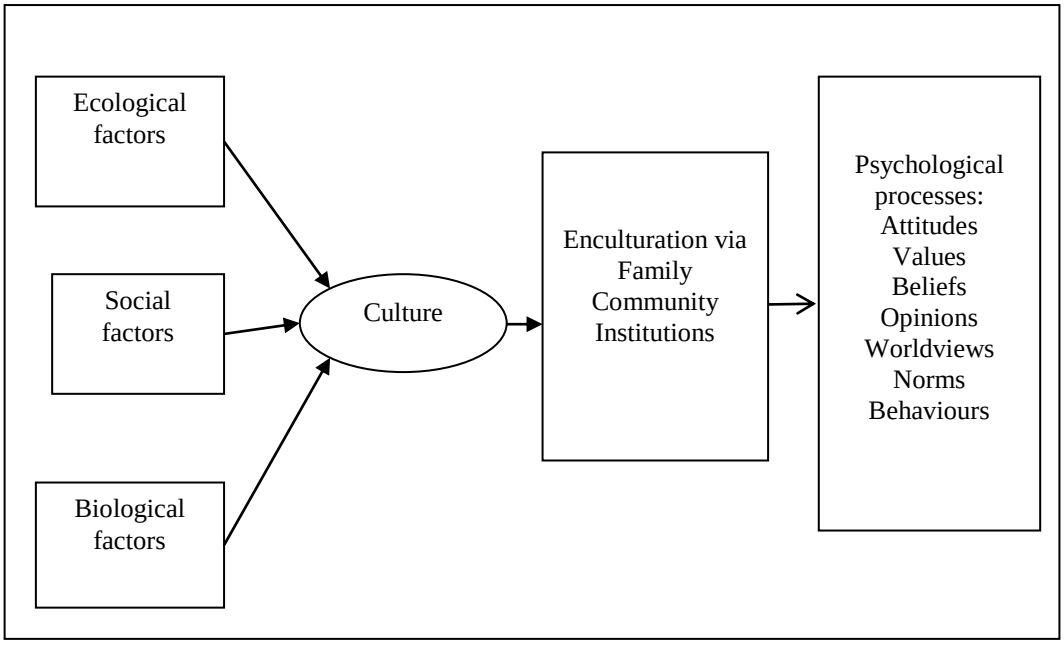
Kroeber and Kluckhohn (1952) and Matsumoto (2007) agree that cultural differences could be observed from either the explicit elements (objective aspect) or implicit elements (subjective aspect). The explicit elements refer to the symbols which could represent a particular culture, for instance the physical objects of culture, such as clothing, food and architecture. Conversely, the implicit elements are concerned with the psychological aspect of culture, such as the underlying values which are 'invisible'. The debate on cultural convergence for instance, is often centred on the explicit elements of culture (De Mooij, 2004). In terms of subjective elements, Matsumoto (2007) argues that Hofstede's (1980) seminal

work is the first to identify the cultural variability. This perhaps explains the reason for Hofstede' (1980) National Cultural Dimensions being widely used in social science studies.

Ethical decision making is a social process which is transferred within a culture from generation to generation (Crane & Matten, 2007; Beauchamp et al., 2009). Indeed, ethical decision making models, such as Ferrell and Gresham (1985) and Hunt and Vitell (1986), acknowledge the importance of culture in the ethical decision making process. De Mooij (2004) suggests that individuals are the outcome of their culture and social groupings, who share similar beliefs, attitudes, norms and values. Individual behaviour is the result of interaction between "culturally dependent social roles and individually different roles identities" (Matsumoto, 2007, p. 1286).

Matsumoto (2007) further reiterates that in some situations, people are likely to provide similar responses irrespective of personality or culture, and in other cases, people give different responses due to cultural or personality diversity. Therefore, "behaviour [can] be determined by universal psychological processes; in others, mainly by personality; and yet in others, mainly by culture" (Matsumoto, 2007, p. 1305). The influence of culture in individual behaviour and mental processes is further elaborated by Matsumoto and Juang (2008) as presented in Figure 2.4.

Figure 2.4 Culture and behaviour



Source: Matsumoto and Juang (2008, p. 23).

At the macro level, cultures are derived from the combination of ecological factors, social factors and biological factors. The enculturation process, according to Matsumoto and Juang (2008), is through family, community and institutions, and later forms the psychological characteristics of individuals, such as their attitude, beliefs, norms and behaviour. Matsumoto and Juang (2008), however, argue that while culture is an important factor in influencing individuals' behaviour, there are also other factors such as individuals' personalities and context which may affect behaviour. Consequently, the influence of culture on behaviour varies according to context.

2.4.1 Hofstede's (1980) National Cultural Dimension

Culture, as defined by Hofstede (2001, p. 9) is:

"The collective programming of the mind that distinguishes the members of one group or category of people from another".

According to Hofstede (1980; 1991), a culture which guides our daily practices, starts to be developed within the family, from society, at school, and later influences behaviour in the workplace. In his earlier seminal work, Hofstede (1980) used more than 117,000 questionnaires across 50 countries to IBM employees with four cultural dimensions to explain the differences of culture in work related values. These dimensions, as suggested by Hofstede (1980), are 'Power distance', 'Uncertainty avoidance', 'Individualism-collectivism' and 'Masculinity-femininity'. Later, Hofstede (1991) added another dimension, 'Long term orientation' or 'Confucian dynamism' based on surveys from Chinese values.

'Power distance' is defined as "the extent to which less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally" (Hofstede, 2001, p. 98). It outlines how a society can accept the inequality in power distribution and status among members of that society and is measured with a power-distance index (PDI). In high Power Distance societies, respect for elders is a basic norm since elders are perceived to have more authority in decision making and this respect lasts throughout life. In contrast, in low Power Distance societies every member in the society is treated equally regardless of age. In terms of education, high Power Distance societies prone to have teacher-centred education rather than student-centred education applied in low Power Distance societies.

The influence from the society and education is then translated in the workplace. Hofstede (1991, p. 4) suggests that "behaviour at work is a continuation of behaviour learned earlier"; thus, in low PDI countries, decision making in an organization is less concentrated and staff are treated equally irrespective of their status. In contrast, in high PDI countries, decision making is more concentrated, based on the level of authority and status is more likely to be used as the basis to treat staff (Hofstede, 2001). With regard to taxation, Tsakumis et al. (2007) argue that high Power Distance countries have higher levels of tax evasion compared to low Power Distance countries. This is due to among others the high disparity in income earned by the upper level and lower level classes in society and this income disparity is further increased by the tax system.

'Uncertainty avoidance' is described as the degree to which a society tolerates ambiguity and uncertainty situations, and is measured using the uncertainty avoidance index (UAI). Hofstede (1980) argues that societies in low UAI countries have lower stress, are happier people, more optimistic with regard to their careers, more trusting and more willing to take unknown risk. In contrast, societies in high UAI countries are more stressed, less optimistic, more conservative and feel powerless toward external forces. Societies with a high UAI index prefer clarity, structure, law and order, and are prone to take only known risks while low UAI societies are comfortable with ambiguity, more innovative and more tolerant towards diversity (Hofstede, 2001). Translating these attributes of UAI into a tax context, Tsakumis et al. (2007) suggest that higher level of tax evasion is more prevalent in high UAI countries given that people in low UAI countries trust their government more than people in high UAI countries (Hofstede,

2001), thus increases the belief by taxpayers that the government misuses their tax funds.

'Individualism-collectivism' explains the degree of preference for closely-knit or loosely-knit relationship societies. Hofstede (2001, p. 209) describes individualism as "a society in which the ties between individuals are loose" and collectivism as "people from birth onwards are integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty". It is about the "I" or "We" consciousness (Hofstede, 2001, p. 227), and therefore the decision making in high individualistic society reflects an individual decision compared to collective decisions in low individualistic (collective) society.

Another attribute of members of high individualistic society is that they pursue their own and their immediate family members' interests only. Conversely, members in a high collectivist society will pursue the well-being of the society more than individual interests, and are more likely to work for the success of the group rather than their own personal success. Hosftede (2001) argues that a government in a weak or low individualist country (Collectivist culture) has a greater possibility of dominating with its role in the economic system of the country, compared to a high individualist country, which is prone to having market capitalism dominate in its economic system.

Hofstede (2001) also argues that in a high individualist society, law and rights are perceived to be equal for everyone in the country, but on the contrary, a collectivist society views that law and rights differ by groups. As a result,

members of high individualist society are less inclined to evade tax since the law is universally imposed on everyone without any favouritism to any groups which result into the lower level of tax evasion (Tsakumis et al., 2007). Apart from uncertainty avoidance, individualism is another cultural dimension which significantly explains tax evasion (Richardson, 2008).

'Masculinity-femininity' addresses the issue of the dominant gender role pattern in society. Hofstede (2001, p. 297) defines masculinity as "a society in which gender roles are clearly distinct" and femininity as "a society in which social gender overlaps". Arguably, in a high masculine society, males are seen as superior to females, have high egoism and there is the practise of gender orientation in their work and personal lives. Members in a masculine society also regard highly material achievement, performance and competition. In contrast, in a highly feminine society, it is expected that people are treated almost equally irrespective of gender, there is low egoism and priority is placed on the quality of life and relationship with people. In tax context, a feminine society believes in providing a minimum quality of life for everyone and tax fund is used to subsidize lower class people (Hofstede, 2001). Therefore, it is postulated that tax evasion is less apparent in feminine society compared to masculine society (Tsakumis et al., 2007).

The 'long term versus short term orientation' is described as "fostering of virtues oriented towards future rewards, in particular perseverance and thrift", and "fostering of virtues related to the past and present, in particular respect for tradition, preservation of 'face' and fulfilling social obligations" (Hofstede, 2001, p. 359). In a high long term orientation society, their members emphasize persistence and personal adaptability. In contrast, in a short term orientation society

members are eager for quick results and personal stability. In a tax context, Yong (2011) found that long term orientation societies in New Zealand tend to update their record keeping regularly and thus have lower tax payment problems to avoid tax penalties compared to short term orientation society.

Hofstede's (1980; 1991) National Cultural Dimensions have been widely used in social science studies and have contributed to explain the cross-cultural differences in business practices probably due to a number of reasons. First, Hofstede's (1980; 1991) dimensions are independent except for Power Distance and Individualism-Collectivism dimensions, which are interdependent (De Mooij, 2004). Secondly, applications and replications of Hofstede (1980; 1991) studies on matched and non-matched samples with different samples and at different period of time have confirmed that Hofstede's dimensions are still valid (Hofstede, 2001; De Mooij, 2004). A recent meta-analysis study by Taras et al. (2012), on 451 empirical studies which used Hofstede's Values Survey Module (VSM) for three different period of time (1980s, 1990s and 2000s), found that despite Hofstede's (1980; 1991) National Cultural Dimension scores decreasing since the 1980s, the dimensions are still relevant in explaining culture. Indeed, more recent accounting studies such as Patel (2003) and Tsakumis (2007) suggest that even a sub-group of the society (the accountants), such as in the US, Australia, India and Malaysia, all represent their respective national culture.

Thirdly, Hofstede's (1980; 1991) National Cultural Dimensions are the most influential work of classifying cultures, and reviews have found that in general Hofstede's (1980; 1991) framework is relevant for cross-cultural research (Kirkman et al., 2006). Fourthly, Hofstede's (1980; 1991) National Cultural

Dimensions were empirically developed based on a survey using IBM employees, capturing a number of countries, while other cultural constructs remain in the conceptualization phase (Yoo et al., 2011). Finally, Hofstede's cultural dimensions have been widely applied to explain the effect of culture in various areas of social science studies (Taras et al., 2010). This is also supported by the number of citation index in refereed journal articles, of which 2700 articles cited Hofstede's work (Hofstede, 2001).

Despite being applied and replicated in many studies, Hofstede's (1980; 1991) National Cultural Dimensions are not free from criticism. Roxas and Stoneback (1997) commented that national boundaries do not necessarily coincide with culture, Hofstede's (1980; 1991) measurements are out of date, and many developments have occurred since his seminal work in 1980. Therefore, the authors argue that the rankings are no longer relevant and the results may not be accurate since they do not consider sub-cultures, industry differences, and organisational culture. McSweeney (2002) critically argues that the methodology and assumptions used by Hofstede (1980) are flawed. Specifically, Hofstede's (1980) survey ignores the differences in organisational culture across IBM, his questionnaire is almost restricted to workplace issues, the response from one organisation cannot be used for generalizing to the whole nation, and the assumption that national culture is homogenous is invalid.

Hofstede (2002) responded to the foregoing criticisms by stressing that the dimensions in his work do not measure causality, the studies are carried out to find differences between national cultures, and thus "any set of functionally equivalent samples from national populations can supply information about such differences"

(Hofstede, 2002, p. 2). Furthermore, Hofstede (2002) argues that the matched data of IBM branches can provide support for his claims since IBM operates in many countries and thus the difference is only with respect to nationality. Hofstede (2002) further reiterates that even though the data is considered as old and outdated, the cultural dimensions have centuries-old roots and many studies from different areas subsequent to his initial work have provided consistent validity.

Moreover, while there is possibility that the cultural dimensions scores of the countries have changed over time, past studies such as De Mooij (1998) and Merritt (2000), support the stability of Hofstede's (1980) cultural dimensions. In his attempt to validate his earlier findings, Hofstede (2001) also compares rankings and indexes of other studies which apply his cultural dimensions and found support for his cultural dimensions. In addition, other cross-cultural studies, such as Trompenaars (1993), Schwartz (1994) and House et al. (2004) also used a survey instrument to understand the culture. The use of a survey to understand culture is considered as acceptable since culture could be examined from the emic (inside perspective) and etic (outside perspective) (Hofstede, 1998).

Baskerville (2005) summarizes five common critiques of Hofstede (1980; 1991) National Cultural Dimensions. First, it is not appropriate to use a survey in examining cultural differences; secondly, nations are not the best variable to study culture; thirdly, a study on a subsidiary of a company cannot represent a whole nation; fourthly, the IBM data is obsolete and old; and finally, four or five cultural dimensions are not sufficient to measure culture. Matsumoto and Juang (2008), however argue that since countries are determined by specific boundaries which are represented by their respective ecology, history, economy and government, all of

which are related to culture, therefore using national boundaries to explain culture is acceptable.

A number of accounting based studies have attempted to examine culture from the perspectives of Hofstede's (1980; 1991) National Cultural Dimensions. Gray (1988) for example, suggests that the degree of professionalism is more prevalent in high Individualism, low Uncertainty Avoidance and low Power Distance. In another study, Roxas and Stoneback (1997) covers nine countries that come from different groupings in Hofstede's (1980) rankings, and suggest that Power Distance has the most significant effect compared to the other dimensions. The study also concludes that irrespective of whether the classification of culture is made based on the accounting system or cultural dimensions, culture has an influence on the ethical decision making.

In management accounting studies, Williams and Seaman (2001) support the claim of Hofstede (1980) on the existence of Power Distance by examining manufacturing firms in Singapore. Their findings demonstrate that within firms in high power distance nations there is likely to be a greater concentration of authority at higher levels. A recent study by Mir et al. (2009) comparing the voluntary disclosure in financial reporting between New Zealand and Indian companies indicates that Indian companies disclosed more compared to New Zealand companies. The authors conclude that the findings do not support Hofstede's (1980) National Cultural Dimensions to explain the influence of culture in the voluntary disclosure of New Zealand and Indian companies.

In tax studies, the use of Hofstede's (1980; 1991) cultural dimensions in explaining the influence of culture in complying with the tax law is limited. Tsakumis et al. (2007) for instance, used secondary data to examine the association between cultural dimensions and tax evasion in 50 countries. Richardson (2008) operationalized Hofstede's (1980) cultural dimensions to examine the relationship between culture together with legal, political and religious factors with the level of tax evasion. Using interviews, a recent study by Yong (2011), for example, looked into the influence of intra-cultural ethnicities with tax compliance by small-medium business operators in New Zealand. All of these studies provide some support to Hofstede's (1980; 1991) cultural dimensions to represent the culture in tax compliance studies.

The limitations in Hofstede's (1980) National Cultural Dimensions suggest that Hofstede's (1980) ranks and scores for countries cannot be perceived as absolute standards. However, based on the support for Hofstede's (1980) National Cultural Dimensions in prior studies suggests that a comparison between two countries on any dimensions is possible provided that the two countries are totally different on any one dimension (Hofstede, 2001). Regardless of the various criticisms, to date there is no other study that has attempted to examine culture in so much detail and that covers so many countries which suggests that, Hofstede's (1980) cultural dimensions remain applicable in many cross-cultural setting studies (Roxas & Stoneback, 1997).

In addition to that, other cultural framework such as Trompenaars (1993) and House et al. (2004), were essentially built up from Hofstede's (1980; 1991) cultural framework. This suggests that Hofstede's (1980; 1991) cultural framework

has more credibility, compared to the other two cultural frameworks. Furthermore, the discussions also indicate that the credibility of Hofstede's (1980; 1991) to explain culture has been tested and proven in many areas of studies.

This study employs Hofstede (1980) National Cultural Dimensions to explain the influence of culture in the tax compliance behaviour of tax agents in Malaysia and New Zealand after considering its limitations and potential scope from the earlier discussions. The discussions of Hofstede's (1980) National Cultural Dimensions in this section also suggests that due to the differences in the attributes of national culture, there is a possibility that members of different national culture have a distinct concept of what comprises ethical and unethical behaviour.

2.4.2 Hofstede's (1980) National Cultural Dimensions of Malaysia and New Zealand

In 1980, both Malaysia and New Zealand were included in Hofstede's (1980) index scores and rankings of cultural values. The index scores and rankings were determined from surveys with IBM employees conducted in 50 countries. As Malaysia is not included in the study pertaining to 'long term versus short term orientation' by Hofstede (1991), the comparison for this dimension between Malaysia and New Zealand is unlikely and therefore, this study would only focus on the four cultural dimensions provided by Hofstede (1980). Table 2.3 summarizes the index scores and rankings for each four cultural dimensions for both countries.

Table 2.3 Hofstede's (1980) National Cultural Dimensions for Malaysia and New Zealand

Cultural dimensions	Malaysia		New Zealand	
	Score	**Rank**	**Score**	**Rank**
Power Distance	104 (High)	1	22 (Low)	49
Uncertainty Avoidance	36 (Low)	46	49 (High)	39
Individualism-Collectivisim	26 (Collectivist)	36	79 (Individualist)	6
Masculinity-Femininity	50 (Masculine)	25	58 (Masculine)	17

Source: Adapted from Goodwin and Goodwin (1999, p. 270).

The above index scores and rankings suggest that Malaysia and New Zealand are different in three cultural dimensions and fairly similar in one cultural dimension. Hofstede (2007) argues that the most obvious differences between the Asian and Anglo-Saxon cultures are the Individualism-Collectivism and Power Distance dimension. As presented in the summary in Table 2.3 above, Hofstede (1980) proposes that Malaysia is high in Power Distance, low in Uncertainty Avoidance, a Collectivist and Masculine society. New Zealand, however, is classified as low in Power Distance, high in Uncertainty Avoidance, an Individualist and also a Masculine society. Nonetheless, New Zealand society is considered to be more masculine compared to Malaysia based on the index scores and ranking.

Malaysia, which is located in South East Asia practices Asian values (Kennedy, 2002). The Asian values which, for instance, involve respecting elders

and those higher in the hierarchy in society or an organization, is reflected in the way people are addressed at home, society and the workplace. To address an uncle for instance, the titles of '*Pakcik'* (in Malay), '*Shushu'* (in Chinese) and '*Anne''* (in Indian) have to be used before addressing their names (Abdullah, 1996). The emphasis on status and hierarchy indicates the practice of a high Power Distance society which results in centralized power in decision making and subordinates are expected to accept direction from superiors (Lim, 2001). It is also rude for instance, for subordinates to openly disagree with superiors especially in public (Abdullah, 1996).

Notwithstanding that Malaysia is a multi-ethnic country, all ethnics in Malaysia believe in a closely-knit, strong family relationship, which reflects a Collectivist society (Mohd Iskandar and Pourjalali, 2000). Since Power Distance is more apparent in Malaysia based on Hofstede's (1980) study, the decision making, is thus influenced more by the Power Distance rather than Collectivism which is translated into autocratic decision making. Therefore, while group decision making is important it is possible to be over-ridden by the decision made by the leader (Lim, 2001).

In a low Uncertainty Avoidance society, the members are more willing to take risks (Hofstede, 1980) and thus more acceptable to mistakes since priority is on maintaining harmony, ensuring good relationship and saving face. Kennedy (2002), for instance, found that Malaysian managers avoid giving negative remarks to their subordinates to maintain harmony and Lim (2001) argues that any disagreement will be communicated indirectly as a way to save face. In terms of Masculinity, Malaysia is considered as a moderate Masculine society by Hofstede

(1980). A Masculine society emphasizes on the gender role pattern in society, has the attribute of assertiveness, focus on material success rather than quality of life. Lim (2001), for instance, found that regardless of ethnicities, the level of masculinity among Malays and Chinese managers is identical which suggests the convergence of values between ethnics due to the government policies.

Brooking (2004) suggests that New Zealand is a multi-ethnic, multi-cultural society which the population is dominated by the European descendants. There is also a suggestion that New Zealand is a bi-cultural country, comprising two distinct cultures of the indigenous Maori and *Pakeha*, the European settlers (Mir, Chatterjee, and Rahaman, 2009). As a result of the dominant European descendants in New Zealand, New Zealand society in general is influenced more by the Anglo-Celtic culture (Brooking, 2004) or Anglo-Saxon culture (Kennedy, 2012). Therefore, it is not surprising that the Hofstede's (1980; 1991) cultural dimensions for New Zealand reflect the culture of *Pakeha*.

The findings by Kennedy (2000; 2012), for example, indicate that New Zealand is low in Power Distance which is consistent with Hofstede's (1980) proposition. The egalitarian characteristics are visible in the New Zealand culture which proposes that people should be treated equally in all aspects of life. For instance, the use of first names is common in all levels of age from home, at school, and the workplace (Kennedy, 2000). Hofstede (1980) also suggests that New Zealand is an Individualist society. The existence of an Individualist culture is also reported in a study by Goodwin and Goodwin (1999), which found that New Zealand students are less willing to include their team members in a study project compared to Malaysian students if they thought that their contribution is greater

than other team members. The findings from a study with business managers in New Zealand by Kennedy (2000) also supported the argument that New Zealand culture reflects an Individualist culture. In New Zealand, it is common for young people to be independent leaving their family to stay on their own and it is uncommon to see adults staying with the older generation (Kennedy, 2012).

New Zealand is classified as a Masculine society by Hofstede (1980). This is perhaps further supported by Kennedy (2000), who found that New Zealand is a male oriented society, which encourages high performance orientation, such as taking pride as the first to climb Mount Everest and the first to fly directly from England to New Zealand. New Zealand is also considered to be a high Uncertainty Avoidance society in Hofstede's (1980) study. The study by Kennedy (2000) found that the desire for security and stability in daily life is prevalent among business managers in New Zealand, which is translated into a high score for Uncertainty Avoidance.

More than 30 years have passed since Hofstede's (1980) study of cultural values and there are possibilities that over the years, the cultural values of Malaysia and New Zealand have changed. For instance, based on a review of cultural changes in Malaysia between the period of 1987 to 1997 by Mohd Iskandar and Pourjalali (2000), the magnitude of the index scores has changed due to a fairer distribution of national wealth, urban migration, improved quality of life, and equal education and career opportunities. In a similar vein, the findings from Lim (2001) also indicate that Malaysians are moving towards a more egalitarian, stressful and individualistic society. A study by Yeoh (1999) also found contradictory results between Hofstede's (1980) original scores and Hofstede's (1980) National Cultural

Dimension scores in her study among Malaysian and New Zealand accounting students. Using the Values Survey Module 1994 (VSM 94) by Hofstede (1994), Masculinity was the only dimension that was supported to have the same direction as proposed by Hofstede (1980) for both Malaysia and New Zealand.

Recently, more comprehensive evidence is provided from the meta-analysis findings of Taras et al. (2012). The meta-analysis of studies using Hofstede's Values Survey Module (VSM) by Taras et al. (2012) indicates that Malaysia is still higher in Power Distance compared to New Zealand. However, the level of Power Distance has been decreasing in both countries. Notwithstanding that Malaysia remains a Collectivist society, based on the meta-analytic scores, Malaysia is moving towards being an Individualist society. New Zealand is still considered as Individualist even though there is a slight decrease between the periods of the 1990s to 2000s.

Over the period of the 2000s both Malaysia and New Zealand are considered as low Uncertainty Avoidance societies. The meta-analysis also shows that both Malaysia and New Zealand are moving towards becoming a more Feminine society. Overall, Taras et al. (2012) argue that the precision of Hofstede's (1980) scores is decreasing over time much faster than projected by Hofstede (2001). The scores from the meta-analysis for each cultural dimension from 1980s to 2000s with respect to Malaysia and New Zealand are presented in Table 2.4.

Table 2.4 Standardized meta-analytic scores of Hofstede's Value Survey Module for Malaysia and New Zealand

Cultural Dimensions / Period	Malaysia			New Zealand		
	1980s	1990s	2000s	1980s	1990s	2000s
Power Distance	2.13	1.47	0.21	-0.90	-0.68	-1.04
Uncertainty Avoidance	-0.69	0.34	-0.64	-0.15	-0.22	-1.13
Individualism-Collectivism	-1.29	-0.95	-0.93	0.69	1.37	1.03
Masculinity-Femininity	0.31	0.17	-0.11	0.59	-0.09	N/A

Note: The 1980s' scores refer to Hofstede's original scores after being standardized to ensure comparability with the meta-analysis score. Standardized meta-analytic scores should be between -2 to 2, while 0 means neutral.

Source: Taras et al. (2012, p. 334-337).

2.5 A review of relevant past studies

2.5.1 The influence of attitude in tax compliance

An important element in the TPB, as discussed in Section 2.2.2 above, is the attitude towards the intention to perform the behaviour. Attitude is directly related to behaviour to the degree it is influenced by the intention (Armitage & Christian, 2003). Eriksen and Fallan (1996) argue that the definition of attitude in tax compliance is not clear since attitude towards tax compliance is an ambiguous construct. Kirchler (2007) concurs that attitude in tax compliance is a complex construct which represents the social construct of taxes that influences tax compliance behaviour. Since tax compliance is viewed as a sensitive issue, many studies in tax compliance use attitude towards the behaviour as a proxy rather than

examining actual tax compliance behaviour itself (Kirchler, 2007). In many tax compliance studies, Kirchler (2007) found, that while the relationships between attitude towards tax compliance and behaviour indicate weak relationships, these are significant.

In understanding the influence of attitude and tax compliance, Eriksen and Fallan (1996) examine two different groups of students from marketing and law. They suggest that tax attitude is important in determining tax compliance behaviour and this tax attitude is influenced by the specific tax knowledge that the students possess. Their findings are aligned with Roberts et al. (1994) who suggest that attitudes to tax compliance become better with the increase in tax knowledge. To identify the beliefs and norms underlying taxpayers in complying with the tax law, Hanno and Violette (1996) applied the Theory of Reasoned Action (TRA) in an experimental study in the US. The findings suggest that attitude towards intention to comply with the federal tax law significantly influences reported tax compliance behaviour. The effect of attitude towards intention to comply with the tax law was also found to be more significant compared to subjective norms in this experimental study.

The attitude of taxpayers is also examined by Chan et al. (2000), comparing US and Hong Kong taxpayers. Their findings suggest that the attitude of taxpayers is dependent on the degree of moral reasoning that the taxpayers have. For instance, US taxpayers who have higher moral reasoning indicate a more favourable attitude towards tax compliance, compared to a less favourable attitude of Hong Kong taxpayers who indicate lower moral reasoning.

Murphy (2004) examines the attitude of aggressive Australian taxpayers using a national tax survey including 2040 Australian taxpayers. The findings suggest that those taxpayers who prefer and seek an aggressive tax positions have a different attitude compared to other taxpayers. Their results also suggest that it is the taxpayers and not the tax agents who instigate the aggressive tax reporting. In their "slippery slope framework" Kirchler et al. (2008, p. 220) suggest that attitude toward taxes is an important factor that motivates taxpayers to comply with the tax law. They argue that a favourable attitude towards compliance will develop trust in the revenue authorities which will encourage voluntary tax compliance.

With regard to accountants, a study by Buchan (2005) in five public accounting firms in the US, suggests that accountants' attitude has a strong direct relationship with ethical intention in evaluating ethical issues presented in the study. Attitude also indicates a significant relationship with subjective norms which reflects the indirect influence of subjective norms with intention. Pinsker et al. (2009) found that attitudes of accounting professionals in the tax environment are reflected in the judgments that they make, but the same results are not found among auditors.

In the US, Bobek and Hatfield (2003) conducted an experimental study with three scenarios: a home office scenario; a tip scenario; and a charitable contribution scenario, using students, a group of parents from an elementary school, and random mail-out respondents in Florida and Georgia, respectively as samples. The study found that attitude has a strong positive effect in explaining the tax compliance behaviour of the respondents in all three cases. In a study in Canada by Trivedi et al. (2005), which measured tax compliance in two different ways; a

hypothetical-situation and experimentally-measured compliance; the findings support attitude in explaining the tax compliance behaviour of the participants. Bobek et al. (2007a) examine the underlying reasons why taxpayers prefer refunds using two phases of study. The findings suggest that taxpayers' attitude towards uncertainty influences their withholding tax positions.

In a study by Saad (2011) using individual taxpayers in Malaysia and New Zealand, her findings suggest that taxpayers in both countries considered attitude as an important factor in complying with the tax law. Similar findings are provided by Smart (2012) in examining the tax compliance behaviour of individual taxpayers and tax agents in New Zealand. This study found that attitudes towards informal sanctions such as tax morale are influential in motivating individual taxpayers and tax agents to comply or not comply with the tax law. Another recent study by Langham et al. (2012) among small and medium entrepreneurs in Australia found that attitude towards correctly reporting and maintaining tax records influences the intention to comply with tax obligations.

2.5.2 Subjective norms and tax compliance

The concept of norms in tax compliance, according to Kirchler (2007), is difficult to conceptualize since norms could emanate from individual standards (internally from the taxpayer), socially approved standards (from those who close to the taxpayers), or the societal norms which are from the collective or at the national level and translated into the tax law. Subjective norms or important referent others, as defined by Ajzen (1991), are global social pressure from those who close to a person such as family and friends, who could exert influence on a person's ethical decision making because what is considered as ethical is not

universally consistent (Westerman et al., 2007). This is supported by Kirchler (2007) in a tax context, who argues that the tax compliance behaviour of taxpayers is influenced by the group they are associated with.

A review of ethics studies by O'Fallon and Butterfield (2005), which regards subjective norm as an organizational factor, suggests that subjective norm is a new area of study in ethics literature and requires further examination. In their synthesis of past studies in tax compliance by Jackson and Milliron (1986), and later in an updated work by Richardson and Sawyer (2001), subjective norms in the form of peer influence are regarded as an important tax compliance factor. Similarly, the Fischer Model used by Fischer et al. (1992) also acknowledges the importance of subjective norms (peer influence) in explaining the tax compliance behaviour of taxpayers. The importance of subjective norms which is measured using peer influence is further supported by Westerman et al. (2007). In their study on respondents from Germany, Italy and Japan, Westerman et al. (2007) suggest that peers indicate stronger influence in a person's ethical decision making compared to national culture. However, the influence of peers is stronger in the higher power distance and higher individualism societies.

With respect to the ethical decision making of tax agents, Milliron (1988), for instance, has proposed a model examining the aggressiveness of tax agents in the ambiguous tax environment. Based on interviews with 12 tax agents from public accounting firms, Milliron (1988) suggests that peers' opinion is an aspect that forms the "Preparer vulnerability" factor in offering aggressive advice to client.

The importance of subjective norms in tax compliance behaviour is also reported in Hanno and Violette's (1996) study. The subjective norms/referents comprise 'members of the family', 'current or future employer', 'close friends' and 'spouse/significant other', and were tested on both compliers and non-compliers groups. Generally, the compliers and non-compliers have the opinion that the referent groups expected tax compliance from them. Of all the referent groups, the only significant difference is the influence of family members on compliers and non-compliers, where the strongest effect was found on compliers compared to non-compliers.

In examining the role of subjective norms in tax compliance in the US, Bobek and Hatfield (2003) found that subjective norms have a positive influence and highly significant in all three scenarios used in the study. Bobek et al. (2007a) applied the TPB among students in the US to understand the reasons why taxpayers prefer a refund. Their study indicates that subjective norms influence the withholding tax position of the taxpayers. The more the taxpayers are advised by people around them to lower their withholding tax position, the more likely they will perform the behaviour. The study by Trivedi et al. (2005) in Canada reports that subjective norms are only significant in the case of intent to comply but not in the case of intent to overstate the deductions. This suggests that participants in the study are inclined to evade tax only if there is a genuine reason.

In a study by Saad (2011) in Malaysia and New Zealand, the findings of the study support the importance of subjective norms in influencing the compliance behaviour of individual taxpayers in an overstating business income scenario and an understating other income scenario. Langham et al. (2012) reported that in a

survey with small medium business owners in Australia, the influence of subjective norms such as from bookkeepers, accountants and tax agents are effective in motivating taxpayer's intention to comply with tax obligations. In a way, the findings also indicate the importance of tax agents in assisting taxpayers to comply with the tax law.

A review of past studies by Hite et al. (2003) on the factors that affect tax agents' compliance decision, indicates that tax agents' aggressive behaviour is influenced by the opinions of others. In addition, their motivation to provide aggressive advice is also demand-driven by the aggressiveness of the clients in tax position. The findings imply the influence of peers and clients in their ethical decision making. In a recent study, Tan (2011) also found that the type of advice given to tax agents' clients, to a certain extent depends on the risk profiles of their clients, indicating the influence of clients in the ethical decision making of tax agents.

In another study, Kahle and White (2004) examine the influence of subjective norms using an experimental study in the US involving tax agents from various types of accounting firms. The results of the study suggest that tax agents are influenced by their clients in their decision making. Tax agents are more influenced by their client preferences rather than the direction of the evidence when making decisions. The importance of subjective norms in the compliance behaviour of tax agents is further supported by Smart (2012). The study which used members of the New Zealand Institute of Accountants (NZICA), found that subjective norms have a positive and significant influence on tax agents' compliance behaviour to tax law. The findings suggest that subjective norms in the form of important

referent's expectations, threat of losing respect from important referents and the tax compliance behaviour of important referents influenced the intention of tax agents to act ethically.

2.5.3 Perceived behavioural control and tax compliance

Perceived behavioural control is another element in the TPB which is discussed earlier in Section 2.2.2. Ajzen (1991) posits that apart from the attitude towards behaviour and subjective norms, intention to perform behaviour is also determined by the perceived behavioural control that an individual has. Perceived behavioural control also directly influences the performance of behaviour. Ajzen (1991) also proposes that the TPB has to be utilized with specific targets, goal and context. With regard to tax compliance, Bobek and Hatfield (2003) suggest that perceived behavioural control does not refer to the degree of easiness or difficulty to cheat in general, but it is concerned with the level of control a taxpayer believes he or she has in conducting specific action related to complying with the tax laws, such as underreporting income and overstating expenses. Kirchler (2007) describes perceived behavioural control as the self-confidence that a taxpayer possesses in filing a tax return in a self-advantageous way.

Perceived behavioural control is still less explored in tax compliance studies, and in general, findings from past studies on the influence of perceived behavioural control in tax compliance are not favourable. For instance, the results from the logistic regression by Bobek and Hatfield (2003), do not support perceived behavioural control in explaining the cheating cases in tax compliance. In a similar vein, the findings from the studies by Trivedi et al. (2005) and Saad (2011) also indicate that perceived behavioural control is not strong enough to

influence tax compliance behaviour. Further, Bobek et al. (2007a) reported a similar finding when examining the motivation to be in a tax refund position in the US. The findings do not support perceived behavioural control in explaining the taxpayers' preference to be in a refund position.

A recent study by Smart (2012), which used individual taxpayers and tax agents as samples in New Zealand, also supports the non-significant effect of perceived behavioural control on the intention to comply with the tax law for samples in the study. Perceived behavioural control was also found to have no effect on the behaviour of tax agents to comply with the tax law. Similar findings of a non-significant effect of perceived behavioural control is also provided by Langham et al. (2012). The study found that based on three tax scenarios provided in the study, perceived behavioural control of small and medium entrepreneurs in Australia does not influence the intention to comply with tax obligations as the level of tax complexity increases.

2.5.4 The influence of ethics and ethical sensitivity in tax compliance

While this study examines the influence of ethical sensitivity with the tax compliance behaviour of tax agents, it is worthwhile to understand the general concept of ethics before delving into ethical sensitivity. The term ethics and morality are commonly used interchangeably (Crane & Matten, 2007). Ethics is normally described as the moral principles or values that an individual has which influence him or her in making the right or wrong decision in a given situation (Crane & Matten, 2007). Being ethical, as argued by Jones (1991), is situation-specific depending on the moral intensity of the issue.

In the case of complying with tax laws, this has an ethical element since it involves the judgment of right and wrong with respect to tax compliance. It is argued that having good tax ethics can increase the level of tax compliance (Singh, 2003). Alm and Torgler (2011) suggest that the level of ethics differs across taxpayers, and therefore, the level of compliance among taxpayers also varies. Due to this, the tax compliance behaviour of a taxpayer can partly be explained by the role of ethics of that particular taxpayer, since taxpayers do not always behave in a profit-seeking condition as implied by the economic deterrence model (Alm & Torgler, 2011).

The importance of ethics in tax compliance behaviour is supported by Jackson and Milliron (1986) in their synthesis of prior tax compliance studies, and later in an updated work by Richardson and Sawyer (2001). The findings from these studies suggest that ethics is a significant variable in explaining tax compliance behaviour. However, Richardson and Sawyer (2001) argue that the results tend to vary according to the definition of ethics adopted in each particular study.

Due to the significance of ethics in tax compliance behaviour, a considerable number of studies have attempted to examine the issue of ethics in tax compliance. An example is the study of Song and Yarbrough (1978) who examine the ethical level of taxpayers in eastern North Carolina in the US. The findings from their survey demonstrate that the overall levels of ethics among those taxpayers are only “barely passing”, at only 60.3 percent on a scale of 1 to 100.

Reckers et al. (1994) investigate the ethical beliefs of taxpayers in the US state of Arkansas, and find that the ethical beliefs of the respondents are highly significant in the decision to evade tax. Henderson and Kaplan (2005) examine how ethical beliefs influence tax compliance by differentiating between general ethical beliefs and specific ethical beliefs. General ethical beliefs are collective beliefs of what is right or wrong such as an individual who did not cheat in the exam did not litter while specific ethical beliefs represent ethics in tax context. They propose that general ethical beliefs influence the specific ethical beliefs and the latter affects the tax compliance behaviour. Ho and Wong (2008) examine the ethical beliefs of taxpayers in Hong Kong, and suggest that ethical beliefs can be used to improve the tax compliance rate, especially when taxpayers have low levels of moral reasoning.

In Canada, Trivedi et al. (2005) conducted an experimental study, and their findings demonstrate that ethics significantly influence the intention and behaviour in complying with tax. Indeed their study suggests that ethics is the most important variable which determines compliance with tax laws. The identity of taxpayers and their association with tax ethics is also examined in a recent study by Wenzel (2007) through a survey conducted in Australia. It is suggested that there is a positive relationship between tax ethics, and the identity of the taxpayers as an individual or a member of a nation.

The tax ethics of tax agents are examined by Attwell and Sawyer (2001) in New Zealand. Based on the scale suggested by Song and Yarbrough (1978), their study demonstrates that tax agents in New Zealand have only a "barely passing" score, and a majority of the tax agents encountered ethical problems while

performing their duties. Notwithstanding the "barely passing" score, the findings suggest that overall, tax agents have a better understanding of tax evasion, tax avoidance, and tax minimization, compared to the results of an earlier study by Tooley (1992). Attwell and Sawyer (2001) also demonstrate that Chartered Accountants are more ethical compared to lawyers or other tax agents with respect to tax compliance issues. In a similar vein, Doyle et al. (2009), in a study involving tax agents in the United Kingdom (UK) and Ireland, suggest that ethical dilemmas exist in tax practice, and argue that acting ethically is not merely complying with the tax laws.

The ethical values of Chartered Public Accountants (CPAs), including tax agents prior to self-regulation and post self-regulation by the accounting profession in the US, are examined by Waldron and Doty (2010). Five hundred CPAs from an American Institute of Certified Public Accountant (AICPA) listing were selected through a random sampling. The results demonstrate that the ethical values of CPAs are indifferent subsequent to the self-regulatory environment. However, the self-regulation results in an increase in the intention of CPAs to behave ethically.

Notwithstanding the various specialty areas in accounting, a survey by Emerson et al. (2007) found that the moral or ethical reasoning of accountants is significantly indifferent to their job tasks, whether or not they are doing audits, tax or accounting jobs. Early evidence on the ethical reasoning of CPAs is demonstrated by Ponemon (1992) in understanding the influence of accounting firm socialization with the level of ethical reasoning. The author argues that higher level CPAs, those progressing from manager to partner, had a lower and more homogenous level of ethical reasoning. Despite the claim that accounting

practitioners have low ethical reasoning, Wasieleski and Weber (2009) provide a contradictory result. In a study involving business practitioners from various job functions such as accounting, finance, information technology, supply chain, marketing and human resources, the findings suggest that business practitioners with an accounting background have high ethical reasoning and are placed second after the human resources practitioner.

In Malaysia, Singh (2003) finds that the level of moral reasoning of the Malaysian tax agents are lower compared to that of US auditors. In this study, Singh (2003) examines the ethical decision making of tax agents by incorporating individual differences, cognitive process and contextual variables in explaining the ethical decision making of tax agents in public accounting firms. Having the appropriate dimensions in ethical judgment is important to ensure correct decisions are made. Frecknall-Hughes and Moizer (2005) discuss two contradicting ethical dimensions in ethical judgment. They argue that tax agents should apply the domain of consequentialism or deontology in making choices. Consequentialism emphasizes the final outcome without any concern on the method to obtain the outcomes (that is the end justified the means), provided that the good of the outcome could compensate for the bad of the means. Therefore, if tax agents favour the consequentialism domain then they have to consider the effects of the parties involved and the level of importance to each group based on the decision that they select. In contrast, the deontological approach to decision making suggests that some acts are morally obligatory and thus tax agents within this approach will disclose relevant information about their clients without considering the effect.

The effect of tax agent penalties on the ethical decision making of tax agents is examined by Anderson and Cuccia (2000). By using students as surrogates for tax agents in an experimental study, it is suggested that tax agents' behaviour is in accordance with the changes in the tax agent penalties in the US. For instance, the respondents in the study recommended fewer aggressive tax positions with the increase in tax agent penalties.

Burns and Kiecker (1995) provide an example on the ethical judgment of tax CPAs at supervisory level. Their findings indicate that deontological (essential characteristics of the behaviour) and teleological (consequences of the behaviour) considerations both influence the ethical judgment of CPAs at the supervisory level. Interestingly, the CPAs in the study generally supported the staff under their supervision to make ethical decisions and disapproved of unethical decisions. Nevertheless, their support is influenced by the economic benefits that the ethical or unethical behaviour contributes to the firm. These results are in line with the findings from the extensive review of tax accountants' ethical judgments by Roberts (1998).

Tax agents' ethical judgments and behavioural intentions, in cases when clients demand aggressive tax reporting, are examined by Cruz et al. (2000). By using the Multidimensional Ethics Scale (MES) on 67 tax agents, their study indicates that the moral equity dimension has the greatest influence in all three hypothetical tax scenarios provided in the questionnaire. The ethical concerns and ethical environment of tax agents in the self-assessment system are examined by Marshall et al. (1998) in understanding the ethical judgments of these tax agents. In their study in Western Australia, their findings demonstrate that the most common

ethical problem is the failure to make reasonable inquiries if there is a lack of documentation. Another aspect which concerned these tax agents is continuing to act for clients in an unethical situation. Despite the participants in the study demonstrating that they are operating in an ethical environment, almost half of them also concurred that there are many opportunities for them to act unethically.

In a similar study, Bobek and Robin (2007) also examine the ethical environment in which tax agents operate, particularly the common ethical dilemmas faced by tax agents and the nature of the ethical environments. Their study surveyed tax agents in public accounting firms who are also members of professional bodies, and indicates that on average, respondents feel that they are working in a strong ethical environment. The procedures, rules, and code of ethics have contributed to the strong ethical environment. Effective in-house training also helps them to improve their ethical decision making.

In another study, Bobek et al. (2010) applied the same experiential questionnaire (EQ) by Bobek and Robin (2007) to examine the experience of partners and non-partners with ethical tax dilemmas. The study found that partners experienced an ethical tax dilemma more than non-partners. Non-partners also reported certain types of ethical tax dilemmas which were related to lack of experience. The findings suggest the possible existence of information asymmetry in resolving ethical dilemmas between partners and non-partners. In a recent study, Doyle et al. (2012a) looked into the ethical reasoning of tax agents in the UK in solving ethical dilemmas in tax and social contexts. Based on the 'P' scores of the DIT, the study found that tax agents used a lower level of ethical reasoning in tax context dilemmas compared to social context dilemmas.

Hume et al. (1999) demonstrate that a majority of CPAs in California conform to the Statements on Responsibilities in Tax Practice (SRTP) when making decisions involving ethical considerations. Results from the survey find that the CPAs follow the SRTP more often than the unlicensed tax agents. Despite the favourable findings, there is still a concern, since a significant number of CPAs indicate they do not adhere to the SRTP. It is suggested that some CPAs may choose to protect their personal benefits, such as profit-seeking, rather than following a code of ethics when faced with ethical decision making.

The influence of group discussion on tax agents' ethical decision making is examined by Carnes et al. (1996). By using an experimental study involving tax partners and managers of the then Big Six firms, the study finds that group discussions will lead to decisions that favour the client in cases with high probability of being audited and favour the Internal Revenue Service (IRS) in cases with low probability of being audited. The process of generating advice from group discussion will lead to extreme decisions, and the ultimate decision making is actually made by the individual rather than the group.

Rest (1986) argues that an important element which motivates ethical decision making is the existence of ethical sensitivity which enables an individual to recognize moral issues. With regard to accounting practitioners, based on a review of the first 1500 articles published in the first eighteen volume of *Journal of Business Ethics*, Collins (2000) suggests that ethical sensitivity influences accountants in situations involving violations of the law. Despite being important, there is still a lack of studies investigating the influence of ethical sensitivity in complying with the tax law which requires further examination (Tan, 2006).

Notwithstanding that, a few studies have attempted to address the issue of ethical sensitivity and tax compliance behaviour. A study by Emerson, et al. (2007) for instance, provides a general understanding on the level of ethical sensitivity among accounting practitioners. A survey among accounting practitioners (including tax agents), suggests they are more sensitive to consequences due to physical harm rather than violation of the laws.

In another study, Yetmar and Eastman (2000) examined the ethical sensitivity of tax agents registered with the American Institute of Certified Public Accountants' (AICPA's) Tax Division in the US. The study argues that if tax agents can recognize ethical issues, they are more likely to make ethical decisions. Ironically, tax agents who are familiar with the Code of Ethics of AIPCA do not significantly recognise ethical issues more often than tax agents who are unfamiliar with the AICPA's Code of Ethics.

The issue of ethical sensitivity of tax agents is also raised by Doyle et al. (2009). Based on interviews with tax agents in Ireland and the United Kingdom (UK), Doyle et al. (2009) find that respondents are clearly confused with the role of ethics and argue that the ethical sensitivity of tax agents may have already deteriorated. For instance, respondents can only illustrate examples of ethical dilemmas in tax practice after being provided with specific examples by the interviewer.

2.5.5 Culture and tax compliance

It is argued that culture influences both values and ethics. It is also contended that different cultures embrace different values and behaviour (Axinn et

al., 2004). Therefore, it is important to understand the influence of culture since cross-border trades are common scenarios in modern business. A number of studies have attempted to examine the influence of culture in the accounting field. For instance, in a study by Gendron et al. (2006), it is suggested that professional Chartered Accountants in the French-speaking province of Quebec in Canada, display a higher professional commitment compared to Chartered Accountants in English-speaking provinces in Canada (Alberta, British Columbia, and Nova Scotia). The finding supports the proposition that culture influences the ethical behaviour of professional accountants.

In another study, Jakubowski et al. (2002) investigate the differences and similarities in the Code of Professional Conduct of Certified or Chartered Accountants in the US, Taiwan, South Korea, Malaysia, Canada (Ontario), Australia, India and Hong Kong. The study finds that there are commonalities in some rules which suggest that some rules are culture-free. It is also suggested that the existence of cross- country variations in the Code of Professional Conduct demonstrates the influence of culture and different legal systems. Arguably the legal system is often a reflection of the culture (Gendron et al., 2006).

In a more recent study, Bobek et al. (2007b) examine the relationship between the social norms and tax compliance intention in three countries: Singapore, Australia, and the US. The study argues that the country effect (culture) will be outweighed by the social norms. The study finds that, while social norms are strongly related to intention to comply with tax and explain the inter-country differences, the strength among the three countries is different. It is found that the

combination between personal norms and subjective norms is the highest in Singapore, followed by Australia, and the lowest is the US.

The evidence that culture influences tax compliance is also put forward by Torgler and Schneider (2007). Their study examines the effect of culture on tax morale to comply with the tax law in Switzerland, Belgium, and Spain which have some similarities and differences in their cultures. Switzerland has strong democratic rights and has the influence of German, French, and Italian cultures. Belgium's community is strongly influenced by the Dutch and French. Spain is considered to be a country with many historical Spanish nationalities, such as the Basque country, Catalonia, Galicia and Navarre. The study indicates that there is a possibility for culture and national pride to influence tax morale in complying with tax laws.

In a similar study, Alm and Torgler (2006) examine the tax morale and tax compliance between the US and 15 European countries. Essentially, US taxpayers have higher tax morale compared to Spanish, and tax morale is also higher in the Northern European countries compared to the Romanic countries. They suggest that tax culture of each country in their studies influences the differences of tax compliance behaviour. Interestingly, Saad (2011) found that generally, individual taxpayers in Malaysia and New Zealand have similar perceptions towards tax compliance regardless the differences in culture between the two countries.

Using Hofstede's (1980) National Cultural Dimensions, Tsakumis et al. (2007) investigate the influence of national culture and tax evasion in 50 countries. The results of their study suggest that countries which practise high uncertainty

avoidance, low individualism, low masculinity and are high in power distance, are more likely to engage in tax evasion. Extending the work of Tsakumis et al. (2007), Richardson (2008) includes 47 countries in a study to examine the impact of culture together with legal, political and religious variables on tax evasion. The findings from their study suggest that tax evasion is higher when there is a higher level of uncertainty avoidance and lower level of individualism.

Lewis et al. (2009) compare the influence of culture in tax compliance between respondents in the UK and Italy. The study demonstrates that Italian respondents declare more as the probability of detection increases and when tax is framed as a gain. Italians students are also reported to declare less compared to UK students. In another recent study, Bame-Aldred et al. (2013) examine the influence of national culture on firm-level tax evasion of 3000 companies in 31 countries. Their findings suggest that a collectivist culture is less likely to evade tax while an individualistic culture indicates more possibility to perform such an action for personal benefit.

In a series of intra-cultural interviews, based on Hofstede's (1980; 2001) cultural dimensions by Yong (2011) in New Zealand, the author found that a Collectivist culture tends to use their network to reduce compliance costs and because a Collectivist society is committed to their group, their obligations towards the financial needs of the group result into delayed tax payments. In addition to that, a high Power Distance society has greater respect and showed greater fear towards the tax authority. The study also discovered that high Uncertainty Avoidance and Masculine societies have better record keeping which results in less tax compliance problems.

2.6 Summary

In this chapter, relevant theories, concepts and past studies are discussed to provide some understanding of the factors that contribute to the ethical decision making of tax agents while performing their roles. The discussion in Chapter 2 forms the framework of the study, which will be discussed in the Chapter 3 of this thesis.

Based on the discussion, it is understood that tax compliance is a complex issue which is normally explained using either an economic or non-economic approach. While both approaches have contributed to explain tax compliance issues, this study uses the behavioural approach to examine the factors that contribute to the ethical decision making of tax professionals, since it is considered more appropriate and relevant to the context of the study.

The review on the TRA and TPB also suggests the relevance of these theories in explaining behaviour. The central idea of both theories, which is to predict intention for behaviours which are goal-directed, is considered appropriate in examining the tax compliance behaviour of taxpayers since the act of complying with the tax law is goal-directed. However, this study will apply the TPB, since the various roles of tax agents may put them in conflicting positions and thus there is a possibility that they are in incomplete volitional control in making decisions. In addition to that, tax compliance is a complex issue, and since the flexibility of the TPB allows for the addition of other factors to explain behaviour, this suggests the relevance of using TPB in this study. Despite the TPB has been widely used in other areas of research and capable of explaining behaviour, the review of past

studies indicates that its application in tax studies is still limited, which suggests that it could be worthwhile to explore TPB in the tax context.

This chapter also reviews relevant past studies on attitudes, subjective norms and perceived behavioural control in a tax context, and in ethical decision making. The discussion suggests that attitude and subjective norms are relevant in determining the tax compliance behaviour of taxpayers. However, the perceived behavioural control has mixed support in explaining the compliance behaviour of taxpayers towards tax.

The importance of ethics in tax compliance studies is also highlighted in this chapter which reveals that studies on ethics in a tax context have been conducted on various aspects. The discussions in this chapter also show that studies examining the ethical sensitivity of tax agents are still scarce, despite its importance. Hence, after considering the advantages and weakness of using Rest's (1986) Model, this study uses the ethical sensitivity as postulated by Rest's (1986) Model, to examine the decision making of tax agents while performing their roles. The ethical sensitivity in this study is measured using the Multidimensional Ethics Scale (MES) originally proposed by Reidenbach and Robin (198; 1990) in marketing and later refined by Cruz et al. (2000) in the tax context. The MES elements will be discussed further in Chapter 4, Research Methodology of this thesis.

Another factor which is found to be relevant in explaining the tax compliance behaviour of tax agents is the influence of culture. Since the concept of culture is itself complex, this study proposes the use of Hofstede's framework to

capture the influence of culture in the ethical decision making of tax agents after accounting for its advantages and weaknesses. The discussion on culture starts with the broad concept of culture before delving into Hofstede's (1980) National Cultural Dimensions. The review of the influence of culture in tax compliance and decision making in this chapter indicates mixed findings.

Notwithstanding all the reviewed studies contribute to understanding the influence of culture in tax compliance, little is known about the influence of Hofstede's (1980) cultural dimensions with respect to ethical decision making of tax agents or taxpayers in complying with the tax law which provides an interesting avenue for further research. The discussions in this chapter lead to the development of the research framework and hypotheses which are presented in Chapter 3.

CHAPTER 3

RESEARCH FRAMEWORK AND HYPOTHESES DEVELOPMENT

3.0 Introduction

This chapter presents the conceptual research framework and the hypotheses development for the study. The chapter begins by presenting the proposed conceptual framework of the study by extending the Theory of Planned Behaviour (TPB) with ethical sensitivity and culture. This is followed by the discussion on the development of the hypotheses. The last section summarizes the chapter.

3.1 Conceptual Framework

The main objective of this study is to examine some selected factors that influence the ethical decision making of tax agents in Malaysia and New Zealand while performing their engagement roles. To meet this objective, the researcher developed a formal conceptual framework so that the relationship between the selected factors with compliance behaviour of tax agents while performing their roles could be empirically examined.

Past studies suggest that the Theory of Planned Behaviour (TPB) postulated by Ajzen (1991), an established behavioural model, has been successful in explaining human behaviour in various fields (Madden et al., 1992; Armitage & Conner, 2001; McEachan et al., 2011). A review of past studies in Chapter 2 also suggests that the TPB has gained support in explaining the compliance behaviour

of taxpayers. As a result, the conceptual framework of this study draws mainly from the TPB to examine the compliance behaviour of tax agents in Malaysia and New Zealand.

The TPB proposes that the behaviour of a person is directly influenced by the intention and the perceived behavioural control that a person possess. In addition, the intention to perform behaviour is motivated by a person's attitude, subjective norms and the perceived behavioural control of that person. Behavioural intention also functions as a proxy for actual behaviour in situations when it is difficult to measure actual behaviour (Ajzen, 1991; O'Connor and Armitage, 2004). Since gaining access to tax agents is difficult for the researcher to measure the actual behaviour of tax agents while performing their engagement roles, the intention to comply with the tax laws is regarded as a substitute for actual compliance. Previous studies in accounting and taxation, such as Bobek and Hatfield (2003), Buchan (2005) and Saad (2011), used a similar approach to treat intention as a proxy for actual behaviour in explaining the influence of the elements in TPB in complying with the tax laws.

Despite there is considerable support for the use of the TPB in explaining human behaviour, the theory allows for the addition of other factors into the model to increase the power of the TPB in predicting human behaviour (Ajzen, 1991). One of the important factors in tax compliance studies as suggested by prior studies in Chapter 2 is ethics. An aspect of ethics among tax agents that is suggested to be explored further is the ethical sensitivity (Tan, 2006) which past studies have suggested to influence the intention of accountants to act ethically (Collins, 2000). This study proposes to include ethical or moral sensitivity as postulated by Rest

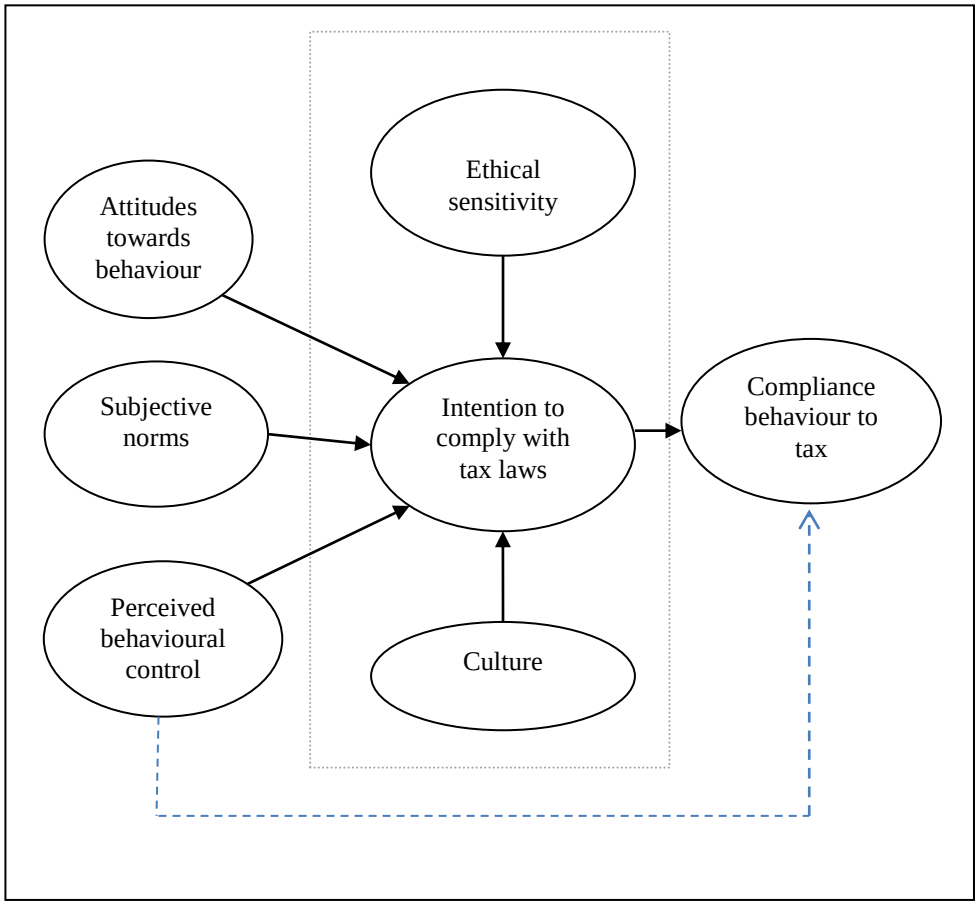
(1986), due to the flexibility of Rest's (1986) Model, which allows its components to be examined separately. A review of the Rest's (1986) Model also suggests that moral or ethical sensitivity is postulated to contribute to ethical behaviour. This study adapts the Multidimensional Ethics Scales (MES) refined and applied by Cruz et al. (2000), which has been tested in tax context, to measure the ethical sensitivity of tax agents in complying with the tax laws.

Since ethical values are part of the culture (Ferrell & Gresham, 1985; Hofstede, 1991) and tax compliance studies always involve an ethical consideration, namely whether or not to comply with the tax laws, the study also proposed to include culture as another factor to better explain the tax compliance behaviour of tax agents in Malaysia and New Zealand. The importance of culture in tax context has been recommended and supported in previous studies (see for instance Kirchler, 2007; Torgler and Schneider, 2007; Chau and Leung, 2009). However, the lack of uniformity in measuring culture, has led to mixed findings on the importance of culture in the tax context (Kirchler, 2007). The review of past studies in Chapter 2 suggests that while Hofstede's (1980; 1991) cultural dimensions have weaknesses in explaining culture, based on the considerable support, they also have the potential to describe culture in business practices. After considering the criticisms and the potential for Hofstede's (1980; 1991) cultural dimension to explain the culture, this study proposes to operationalize the National Cultural Dimensions posited by Hofstede (1980) to measure the influence of culture in the ethical decision making of tax agents while performing their roles.

The review of past studies in Chapter 2 leads to the proposed conceptual framework as depicted in Figure 3.1. The conceptual framework in Figure 3.1

proposes that the tax agents' intention to comply is influenced by their attitudes towards complying with the tax laws, the influence of subjective norms (important others), the perceived behavioural control of tax agents, their ethical sensitivity and finally, their culture. The proposed model is already complex and considered sufficient to examine the tax compliance behaviour of tax agents since ethical sensitivity and culture are assumed to be multidimensional which require first and second order factor analyses. The proposed model is then tested on two tax scenarios: overstating tax expense and understating income.

Figure 3.1 Conceptual framework of tax agents' compliance behaviour with tax law while performing their roles



Key: -------- indicates that the path is not tested in the study.

The review of past studies in Chapter 2 of this thesis suggests that other researchers have examined the above mentioned factors in understanding tax compliance behaviour of either taxpayers or tax agents. However, the current study is different in several ways. First, the review in Chapter 2 indicates that many studies on tax agents were conducted in a single country (see for instance Attwell and Sawyer, 2001; Singh, 2003; Buchan, 2005; Bobek and Robin, 2007; Hasseldine et al., 2012). A recent interview study comparing the accountants in the United Kingdom and Ireland by Doyle et al. (2009) suggests that comparative studies involving tax agents could provide interesting insights into understanding the wider context of tax compliance behaviour.

This study, which uses tax agents as a sample, is comparative in nature, comparing two different cultures, Malaysia and New Zealand. While there are studies in accounting and tax context which have compared Malaysia and New Zealand (for instance Yeoh (1999) who examined the accounting education, Goodwin and Goodwin (1999) on ethical judgment among business students and Saad (2011) who looked into the tax compliance behaviour of individual taxpayers), to the researcher's knowledge this is the first study to compare the compliance behaviour of tax agents in Malaysia and New Zealand. Not only the findings of this study could contribute to the scarcity of literature in the tax compliance behaviour of tax agents especially in the Asia-Pacific region, the study is also aligned with the call for more research in cross-cultural context.

Second, in a broader context, the synthesis of previous studies in tax compliance, such as Richardson and Sawyer (2001), found that past studies in taxation have mainly used a single approach of inquiry, for instance the use of

quantitative method (either survey or experimental design) to understand a phenomena under study. While the positivist mode of enquiry (the quantitative method) has dominated and contributed to understanding tax issues, Oats (2012) recently suggests the use of interpretivist modes of inquiry (which could be translated into using qualitative approach) for research in taxation to continue to evolve.

Over the years, research in other fields progressively applies the mixed method approach in understanding knowledge (Creswell & Plano Clark, 2011). Given the multidisciplinary nature of tax studies, McKerchar (2010) argues that the use of mixed method approach could become an alternative to understand knowledge in the tax context. Since there is no single best approach in tax studies, the use of a mixed method approach in tax, according to McKerchar (2010), could address different objectives, complement one method with the others and strengthen the findings. A recent example of a published study using tax agents as samples in a mixed method approach study is provided by Hasseldine et al. (2012), for understanding the importance of tax knowledge in the UK.

Due to the potential of the mixed methodical approach in providing richer information to understand the ethical decision making of tax agents in Malaysia and New Zealand while performing their engagement roles, this study uses a mixed method approach in its design which is explained more in the next chapter. The 'mixed' is implied first, by using two different streams of inquiries in a single study. In this case the survey responses are further explained in the interview. Secondly, it is implied at the sampling stage when respondents from the survey self-determined themselves to participate in the interviews.

Third, Jackson and Milliron (1986) and Richardson and Sawyer (2001) agreed that the issue of measuring ethics in tax compliance remains unresolved which contributed to the mixed findings on the influence of ethics in tax compliance behaviour. A review of past ethics studies by Kujala et al. (2011) suggest that the Multidimensional Ethics Scale (MES) developed by Reidenbach and Robin (1988; 1990) is commonly used to measure ethics. While there are studies in New Zealand such as Tooley (1992), Attwell and Sawyer (2001), and in Malaysia, for instance Singh (2003), which examined the influence of ethics in ethical decision making or moral reasoning of tax agents, none of these studies used MES to measure ethics in tax compliance. The contribution of previous studies using ethics as a single dimensional concept is acknowledged in explaining the influence of ethics in tax compliance behaviour. However, testing the MES in the context of tax compliance as proposed in this study provides an opportunity to understand the influence of ethical sensitivity in the tax compliance behaviour of tax agents from a different perspective, as a multidimensional concept.

Fourth, the review in Chapter 2 suggests that the application of Hofstede's (1980) cultural dimensions in tax studies is still limited which provides an opportunity for further examination. The review of Hofstede's (1980) cultural dimensions in Chapter 2 also implied that culture could be perceived as a multidimensional concept which consists of Power Distance, Individualism-Collectivism, Masculinity–Femininity and Uncertainty Avoidance. In this current study, it is proposed that ethical sensitivity and culture are initially subject to first order factor model to confirm that tax agents form their perceptions on the respective ethical sensitivity (MES) and cultural (Hofstede's 1980) dimensions.

Two second order factor models are later developed to combine the overall perceptions of ethical sensitivity and culture respectively. Thereafter, the influence of ethical sensitivity and culture is examined on the tax agents' compliance behaviour.

Fifth, in addition, this study uses the structural equation modelling (SEM) approach to simultaneously examine a set of interrelated dependent and independent variables in understanding the tax compliance behaviour of tax agents in Malaysia and New Zealand. Notwithstanding that SEM has been widely applied in other area of social science research such as marketing and information systems (Urbach & Ahlemann, 2010; Hair et al., 2012; Ringle et al., 2012), the use of SEM in tax studies especially in Malaysia and New Zealand is still limited which provides opportunities for further exploration of SEM in tax studies.[7]

Finally, it is acknowledged that other prior studies in accounting, particularly in tax, may have examined the factors independently, used the TPB or combined similar factors in a single model (see for instance Bobek and Hatfield, 2003; Trivedi et al., 2005; Bobek et al., 2007b; Blanthorne and Kaplan, 2008; Saad, 2011). Buchan (2005), for example, used the TPB, moral sensitivity and instrumental ethical climate to explain the behaviour of public accountants in five firms located in a state in the Northeast of the US. Buchan's (2005) study also used MES to measure moral sensitivity but the scenarios were in accounting context and not specifically in tax contexts. Furthermore, Buchan's (2005) study also used different scenarios to test the TPB, moral sensitivity and instrumental climate.

[7] Recent studies in Malaysia and New Zealand which have applied SEM in the context of taxation are provided by Saad (2010; 2011) and Smart (2012).

In this current study, the proposed model consists of the TPB, ethical sensitivity and culture. While the measurement scales for the TPB were adapted from Buchan's (2005) study and MES is used to measure ethical sensitivity, the researcher developed two tax scenarios based on prior tax studies and used the same tax scenarios to measure the influence of ethical sensitivity and culture. Furthermore, culture in this study is measured using Hofstede's (1980) cultural dimensions and the model is tested on tax agents in two different countries. Based on the foregoing discussions, it could be suggested that this study is different from previous tax compliance behavioural studies and has the potential to contribute to tax literature and the accounting profession.

3.2 Hypotheses Development

The key objective of this study is to examine some selected factors that may influence the ethical decision making of tax agents in Malaysia and New Zealand in complying with the tax law while performing their roles. For that purpose, the study uses the TPB which consists of attitudes toward behaviour, subjective norms and perceived behavioural control as the foundation to explain tax agents' compliance behaviour with the tax laws while performing their roles. To further understand the tax agent's compliance behaviour with the tax laws, the original TPB is extended with another two variables, namely ethical sensitivity and culture. To answer the research questions through empirically testing the proposed tax compliance model demonstrated in Figure 3.1, hypotheses were developed based on the review of past studies set out in Chapter 2. In brief, the objectives of the study, the research questions and the hypotheses, are mutually interrelated to

explain the tax compliance behaviour of tax agents in Malaysia and New Zealand while performing their engagement roles.

As this study is comparative in nature, before examining the relationship of the variables in the conceptual framework, it is necessary to compare the overall perceptions of tax agents in Malaysia and New Zealand with regard to the TPB elements, the MES and the Hofstede's (1980) National Cultural Dimensions in the context of tax compliance. The following three research questions and the respective hypotheses focused on the overall perceptions by tax agents in this study with regard to the Hofstede's National Cultural Dimensions, TPB and MES with tax compliance:

1. Do tax agents in Malaysia and New Zealand indicate the same level of perceptions with regard to Hofstede's (1980) National Cultural Dimensions in complying with the tax laws?

H1: There is no significant difference between tax agents in Malaysia and New Zealand with regard to the Hofstede's (1980) National Cultural Dimensions in complying with the tax laws.

2. Do tax agents in Malaysia and New Zealand have the same level of perceptions in relation to the TPB elements in complying with the tax law while performing their roles?

$H2_a$: There is no significant difference in the level of perceptions in relation to the intention to comply, attitudes towards behaviour, subjective norms and perceived behavioural control between tax agents in Malaysia and New Zealand in the overstating tax expense scenario.

$H2_b$: There is no significant difference in the level of perceptions in relation to the intention to comply, attitudes towards behaviour, subjective norms and perceived behavioural control between tax agents in Malaysia and New Zealand in the understating income scenario.

3. Do tax agents in Malaysia and New Zealand have the same level of perceptions in relation to the dimensions in Multidimensional Ethics Scales (MES)?

$H3_a$: There is no significant difference in the level of perceptions between tax agents in Malaysia and New Zealand with regard to the dimensions of MES in overstating tax expense scenario.

$H3_b$: There is no significant difference in the level of perceptions between tax agents in Malaysia and New Zealand with regard to the dimensions of MES in understating income scenario.

The review in Chapter 2 suggests that there are previous studies which have compared Malaysia and New Zealand in an accounting or tax context. There are also studies which have used the TPB or Hofstede's (1980) National Cultural Dimensions, either independently in Malaysia and New Zealand, or comparing the influence of these variables with respondents in Malaysia and New Zealand in business studies. However, the absence of literature involving tax agents in Malaysia and New Zealand which has operationalized the TPB elements, MES and Hofstede's (1980) National Cultural Dimensions, suggest that prior evidence is not sufficient to conclude the direction of any relationship between the TPB, ethical sensitivity and culture with tax compliance to guide this current study. Due to this,

the current study presents the hypotheses in their null form. It is also noteworthy to recognize that accounting profession is subject to the influence of professional bodies existed in a particular country. The close monitoring through codes of ethics for instance implies that professional bodies could have a powerful influence on the accounting profession which could diminish for instance the impact of national culture in the ethical decision making of professional accountants (Cohen et al., 1996).

Once the abovementioned hypotheses are tested, the study continues with testing the relationships outlined in the proposed conceptual framework. The following hypotheses are developed with respect to the relationship of the TPB items, ethical sensitivity and culture in explaining the tax compliance behaviour of tax agents in Malaysia and New Zealand while performing their roles in two tax scenarios, overstating tax expense and understating income. To ensure consistency, the numbering of the subsequent hypotheses follows the preceding hypotheses.

3.2.1 Attitude towards Tax Compliance

Ajzen (1991) contends that attitude towards a behaviour is the evaluation of an individual whether a particular behaviour leads to favourable or unfavourable outcomes. An individual is likely to perform a particular behaviour if the outcome from performing the behaviour is perceived as positive rather than negative. In the context of tax compliance, an individual is likely to comply with the tax law if the outcomes from complying with the tax law are perceived as positive rather than negative. Consistent with the arguments postulated in the TPB, that favourable attitude perception towards a behaviour leads to performing the respective behaviour, previous studies in tax compliance as discussed in Chapter 2 have

documented positive influence between the attitude and intention to comply with the tax law.

The discussion in Chapter 2 also reveals the scant literature in Malaysia and New Zealand with respect to applying the TPB in tax context especially on tax agents. For instance, a recent study by Saad (2011) in Malaysia on salaried taxpayers found a positive relationship between attitude and intention to comply with the tax law. However, the findings could not be conclusively applied on the current study considering that tax agents whose profession is guided by professional conduct may have different ethical considerations in their decision making compared to the public (salaried) taxpayers. The current study proposes the following hypotheses:

4. Does attitude towards tax compliance significantly influence the tax agents in Malaysia and New Zealand in complying with the tax laws?

H4: Attitude towards tax compliance significantly influences the tax agents in Malaysia and New Zealand in complying with the tax laws.

3.2.2 The Influence of Subjective Norms in Tax Compliance

Subjective norms refer to the social pressure that an individual faces whether or not to perform a specific behaviour. According to Ajzen (1991), human beings form their beliefs from people important to them, whether these people approve or disapprove their behaviour, and whether these important other themselves perform the behaviour. The TPB postulates that if important others approve or perform the behaviour, there is a high possibility that an individual might also perform the behaviour. In tax compliance, the discussion in Chapter 2

suggests that previous studies have documented mixed findings on the influence of subjective norms. This is possibly because the concept of 'norm' itself is difficult to operationalize (Kirchler, 2007). While there is considerable evidence from other tax jurisdictions on the influence of subjective norm in tax compliance, little is known about this relationship in the context of tax agents in Malaysia and New Zealand. Hence, this study proposes the following hypotheses:

5. Does subjective norm significantly influence the tax agents in Malaysia and New Zealand in complying with the tax laws?

H5: Subjective norm significantly influences tax agents in Malaysia and New Zealand in complying with the tax laws.

3.2.3 Perceived Behavioural Control and Tax Compliance

Perceived behavioural control describes the ability of an individual to have control and the perceived ease or difficulty in performing the behaviour. The TPB suggests that a positive attitude and strong subjective norms towards intention does not guarantee an individual to perform a particular behaviour in the absence of control to perform the behaviour. Perceived behavioural control exists from personal and environmental factors such as having the skills and opportunities to engage in a particular behaviour (Fishbein & Ajzen, 2010). An individual is likely to perform a particular behaviour if the perceived behavioural control is high (Ajzen, 1991).

Past studies, as presented in Chapter 2, suggest that the relationship between perceived behavioural control and tax compliance behaviour is not well supported which suggests for more exploration on this factor. Since tax agents have

the expertise in interpreting the tax law, there is a possibility that tax agents indicate high perceived behavioural control which leads to performing the specific behaviour, in this study, overstating the expenses and understating the income for tax purposes. However, due to the lack of literature to support the relationship between perceived behavioural control and tax compliance behaviour in the context of tax agents in Malaysia and New Zealand, this study proposes the following non-directional hypotheses:

6. Does perceived behavioural control significantly influence the tax agents in Malaysia and New Zealand in complying with the tax laws?

H6: Perceived behavioural control significantly influences tax agents in Malaysia and New Zealand in complying with the tax laws.

3.2.4 Ethical Sensitivity and Tax Compliance Behaviour

The ability to recognize the moral issue is considered as an important factor which could lead to ethical decision making (Rest, 1986). Jones (1991) argues that an individual who fails to recognize a moral issue is unable to make an ethical decision and based the decision only on economic rationality. The ability to recognize moral issues according to Jones (1991) will result into two conditions: the impact to others, and the choice that has to be made. The review of past studies in Chapter 2 suggests that in general there are mixed findings on the importance of ethics in tax compliance behaviour. The review also suggests that the effect of ethical sensitivity in tax compliance is less explored.

In the context of tax agents and tax compliance, past studies in Chapter 2 suggest that if tax agents could recognize moral issues, there is greater possibility

for tax agents to comply with the tax law. However, findings from prior studies indicate that this proposition is not well supported and requires further examination. Past studies in tax compliance in Chapter 2 also suggest that the absence of standard measures for ethics contribute to the mixed findings on the influence of ethics in tax compliance, and there is a possibility to perceive ethics as a multidimensional concept. Since there is no prior documented study on the relationship between ethical sensitivity and tax compliance in Malaysia and New Zealand applied to tax agents, the following hypotheses are proposed for the current study:

7. Do tax agents in Malaysia and New Zealand perceive ethical sensitivity as a multidimensional concept?

H7: Tax agents in Malaysia and New Zealand perceive ethical sensitivity as a multidimensional concept.

8. Does ethical sensitivity significantly influence tax agents in Malaysia and New Zealand in complying with the tax laws?

H8: Ethical sensitivity significantly influences tax agents in Malaysia and New Zealand in complying with the tax laws.

3.2.5 The Influence of Culture in Tax Compliance

Complying with the tax laws involves ethical consideration and culture influences both ethics and values as evidenced in past accounting research reviewed in Chapter 2 of this thesis. The review of prior studies in Chapter 2 also suggests that culture is an important element which needs to be considered in understanding the tax compliance behaviour. However, the review of past studies

also indicates that culture is a complex concept to operationalize in tax context, and as a result there are studies which have highlighted culture as a multidimensional concept by using Hofstede's (1980) National Cultural Dimensions to measure culture in tax compliance.

Similar to the findings on the importance of culture in general, the operationalization of Hofstede's (1980) cultural dimensions to measure culture also produced mixed results. Despite Hofstede's (1980) cultural dimensions having been widely tested in other areas of research, the use of Hofstede's (1980) cultural dimension to measure culture in tax context is still limited and requires further exploration. The lack of evidence to support the link between culture which is measured using Hofstede's (1980) National Cultural Dimensions and tax compliance in the context of tax agents lead to the following hypotheses:

9. Do tax agents in Malaysia and New Zealand perceive culture as a multidimensional concept?

H9: Tax agents in Malaysia and New Zealand perceive culture as a multidimensional concept.

10. Does culture significantly influence tax agents in Malaysia and New Zealand in complying with the tax laws?

H10: Culture significantly influences tax agents in Malaysia and New Zealand in complying with the tax laws.

3.3 Summary

This chapter presents the proposed conceptual framework as a guide to test the variables under study. The proposed conceptual framework is later translated

into formal hypotheses to be tested in the current study. Therefore, the discussions in this study are centralized on the operationalization of the underlying theory, the Theory of Planned Behaviour (TPB), ethical sensitivity and culture with tax compliance behaviour. In addition, this chapter also discusses the relevance of this study to tax compliance behaviour by examining the similarities and differences with other prior studies.

Prior to testing the relationship of the proposed links in the conceptual framework, given that the current study is a comparative in nature between tax agents in Malaysia and New Zealand, there is a need to test the overall perceptions of tax agents with respect to the elements of the Hofstede's (1980) National Cultural Dimensions, the TPB items and MES. The Hofstede's (1980) National Cultural Dimensions are used to measure culture, and the MES items are used to measure ethical sensitivity in this study. Three preliminary hypotheses, Hypotheses 1, 2 and 3, were developed to examine the overall perceptions of tax agents with regard to the Hofstede (1980) National Cultural Dimensions, TPB items and MES.

The relationships of the variables proposed in the conceptual framework with tax compliance behaviour were then translated into seven hypotheses. The first three main hypotheses are related to the TPB. Hypothesis 4 related to the influence of attitude towards tax compliance behaviour of tax agents. Hypothesis 5 to the influence of subjective norms and compliance behaviour of tax agents and Hypothesis 6 presents the proposed relationship between perceived behavioural control and tax agents. Hypothesis 7 examines whether tax agents in Malaysia and New Zealand perceive ethical sensitivity as a multidimensional construct, Hypothesis 8 proposes the relationship between ethical sensitivity and tax

compliance of tax agents. Hypothesis 9 tests whether culture is formed by a multidimensional concept and finally, Hypothesis 10 proposes the link between culture and tax compliance behaviour of tax agents in the study. The next chapter addresses the research methods, explaining the data collection and analysis to test the relationships postulated in the conceptual framework.

CHAPTER 4

RESEARCH METHODOLOGY

4.0 Introduction

This chapter presents the research methodology for the study. In this chapter, the researcher discusses the research paradigm, the methodology being used which incorporates the emic and etic approaches in cross-cultural research, and the mixed method research design. The discussions also involved the sampling, data collection, and analysis procedures for both quantitative and qualitative approaches.

4.1 Pragmatism – The Research Paradigm

Many factors may be involved in the decision to conduct research. The personal values, interest, experience of the researcher (Bryman & Bell, 2011), and the availability of the funding (Feilzer, 2010) may shape the research. A study also implies what knowledge and how the researcher discovers the knowledge of the world (McKerchar, 2008). In doing so, this study applied the pragmatism paradigm. The remaining of this subsection outlines the pragmatism as understood by the researcher in this study.

The word ‘paradigm’ was first introduced by Kuhn (1970), which he refers to as the “accepted model or pattern”. Paradigm or worldview is the shared beliefs and values of researchers (Creswell & Plano Clark, 2011) in which researchers who believe in a shared paradigm would use the same rules and standards in conducting their research. Generally, there are two main opposing paradigms, namely positivist

and naturalist (Lincoln & Guba, 1985); positivism and interpretivism (McKerchar, 2008; Bryman & Bell, 2011) or positivism and non-positivism (Brand, 2009; McKerchar, 2010), which influence researchers in their study approach.[8]

The positivism paradigm suggests that the concept, principles, and procedure of understanding the natural science could be imitated to solve the problem in the social world. The positivist believes there is a single reality in social phenomena and this reality could be discovered through objective enquiry (Feilzer, 2010; Bryman & Bell, 2011) resulting in accurate knowledge (Brand, 2009). To a positivist, the object being studied is independent of the researcher and knowledge is derived from the direct measurement of phenomena (Krauss, 2005) which underlies the quantitative approach in data collection and measurement.

On the contrary, there is the argument that human behaviour in the social world is different from the object in natural science and therefore a different approach is required to understand the social world. Interpretivism is the paradigm that recognizes the existence of subjective meanings in understanding phenomena (Brand, 2009) by acknowledging the differences between humans. Unlike the positivist, the proponents of interpretivism suggest that meaning is derived from the experience of the social actor, and therefore there is no pre-given concept in understanding social phenomena (Bryman & Bell, 2011). To fulfil this central idea, interpretivism is normally associated with qualitative approach (Brand, 2009) and allows the influence, interaction between the researcher, and the subject being examined in the meaning making of social phenomena (Bryman & Bell, 2011).

[8] Different terminologies have been used such as "naturalist", "interpretivism" and "non-positivism". However, they refer to the same paradigm.

Applying the concepts of positivism and non-positivism to studies in taxation, McKerchar (2012b) suggests that the use of deductive reasoning and quantitative approach reflect the positivism paradigm. In contrast, inductive reasoning and qualitative approach imply the non-positivism research paradigm in understanding tax issues (McKerchar, 2012b).

As a result of the paradigm 'wars' and the 'incompatible thesis' debates (Johnson & Onwuegbuzie, 2004, p. 14) between the positivist who favours the quantitative method at one end and the interpretivist who believes in using qualitative method for knowledge enquiry at the other end, a middle ground paradigm, the pragmatism, provides another alternative to understand social phenomena. Pragmatism is not the only one paradigm, as critical realism also lies between the positivism and non-positivism (McKerchar, 2010). However, pragmatism is more commonly used and favoured in research enquiry using mixed method approach (Johnson & Onwuegbuzie, 2004; Johnson et al., 2007; Creswell, 2009; Feilzer, 2010; Creswell & Plano Clark, 2011).

The pragmatism paradigm is less concerned with the philosophical discussions on the existence of single reality or multiple realities (Creswell, 2009; Feilzer, 2010; McKerchar, 2010) or whether knowledge could be discovered only by subjective perceptions (Wheeldon, 2010). Instead, pragmatism as a research paradigm is concerned more about the appropriate approach to solving the research problems. It is also about finding the appropriate methods to answer what the researcher wants to know (Feilzer, 2010) by using both the quantitative and qualitative approaches (Creswell, 2009), since a pragmatist believes that multiple paradigms can be used to address a research problem (Creswell & Plano Clark,

2011).[9] After all, "the research method(s) chosen should be those that provide the best opportunities for answering research questions" (Malina et al., 2011, p. 68) reflects the possible use of pragmatism in a mixed method research. Positioning oneself as a pragmatist in conducting research suggests that the researcher needs to be flexible, because the researcher has to accept that human characters are unpredictable, which may result in unexpected emergence of data (Feilzer, 2010).

To a pragmatist, truth, meaning, and knowledge could change over time and what is currently obtained is regarded as provisional truth (Johnson & Onwuegbuzie, 2004).[10] This argument is consistent with McKerchar (2010, p. 11) in tax studies, who commented that "research is about discovery; it is rarely about truth, because realistically there is no single absolute truth". With respect to tax studies, McKerchar (2008; 2010) also suggests that it is appropriate to use pragmatism research paradigm in tax studies since pragmatism permits tax researchers to use mixed method approach in understanding tax issues.

The aforesaid discussions imply that the pragmatism paradigm is suitable to be used in understanding some selected factors that influence tax agents in Malaysia and New Zealand in their decision-making while performing their engagement roles. Applying the pragmatism paradigm for this study allows the researcher to use a quantitative method (survey) and a qualitative method (interview), which could provide a more comprehensive understanding of the issue

[9] However, as commented by Creswell and Plano Clark (2011), this does not imply that researchers adopting pragmatism do not have to follow the correct procedures in conducting quantitative or qualitative studies.

[10] See Johnson and Onwuegbuzie (2004, p.18) for comprehensive attributes of pragmatism as a research paradigm.

under study. Furthermore, given the sensitive nature of the issue under study and tax agents are busy people, the use of pragmatism provides some flexibility for the researcher in conducting the whole research.

4.2 The Emic and Etic Approaches in Cross-Cultural Research

A common feature of cross-cultural research is its comparative nature which involves at least two different cultural populations from two different nations, such as in this study, or two different ethnics in a single country (Vijver & Leung, 1997). In cross-cultural research there are two approaches to understanding the role of culture; from the inside perspective known also as emic, (which explains culture from the particular society itself), or from the outside perspective also known as etic, (which describes the differences across culture using constructs applied equally in other culture), (see Morris et al., 1999; Hunter, 2006; Matsumoto & Juang, 2008). Fontaine and Richardson (2003) argue that to find the similarities in two or more different cultures, an etic approach has to be used since it assumes that in all cultures there are universal constructs which can be recognized and scientifically measured.

On the other hand, to find differences in cultures, an emic approach has to be applied because in most cultures there are unique attributes associated only with that particular culture. Indeed, Malhotra et al. (1996) in discussing the methodological issues in cross-cultural studies, argue that to be deemed as a "cultural-based study" demands the emic perspective whilst to fulfil the "cross" requires the etic perspective. Thus, research instruments in cross-cultural studies have to reflect both the emic and etic considerations. The emic and etic approaches are now briefly discussed.

In an emic approach, researchers use a specific culture to understand the problem being studied. Researchers normally used ethnography, interview, and observation to collect data because the nature of emic dimensions are cultural-specific. Thus, the emic approach is considered as understanding the role of culture from the 'inside' perspective which is to explain a particular culture using its own terminology. Conversely, the etic approach uses universal concepts to understand the problem being studied due to the nature of etic dimensions which are based on universally acceptable construct. The etic approach is synonymous with the 'outside' perspective in identifying culture from a broad, general, and standard approach (Berry, 1999). Consequently, the etic approach is synonymous with the use of a survey for collecting data, such as the study by Hofstede (1980) in understanding the role of different cultures (Morris et al., 1999).

Instead of understanding emic and etic as conflicting approaches in cross-cultural research, Hofstede (1998), Berry (1999), Helfrich (1999), and Morris et al. (1999) argue that the fundamental concepts of emic and etic are interdependent and complementary. Hofstede (1998, p. 19) suggests that:

> *"The first [emic] without the second [etic] gets stuck in case studies that cannot be generalized, the second [etic] without the first [emic] in abstractions that cannot be related to real life. It is almost a platitude that one needs to find a wise combination of emic and etic elements".*

Therefore, the data collected using an emic and etic approaches do not result into a separation but rather as understanding the same issue from two

different perspectives. On that basis it is also possible to combine the emic and etic approaches in a single cross-cultural study.

Culture itself is a complex concept (Hofstede, 2001) which has been regarded to influence an individual's ethical reasoning (Brand, 2009) and human psychological processes such as attitudes, norms, and behaviour (Matsumoto & Juang, 2008). Consistent with the paradigm, the mixed method approach applied in this study and the nature of a cross-cultural research, the integration of the emic and etic approaches as reflected in the use of the survey (etic) and semi-structured interview (emic) in the data collection process of this study is considered as appropriate to understand the tax compliance behaviour of tax agents in Malaysia and New Zealand.

4.3 The Motivation for the Use of a Mixed Methods Approach

In general, quantitative research focuses on the collective viewpoints of respondents in interpreting the findings and thus diminishes the opinions of a single respondent. In contrast, qualitative research emphasizes the perceptions of a few participants and therefore it lacks the ability to be generalized (Creswell & Plano Clark, 2011). A quantitative research is also more concerned with finding the relationship between variables while a qualitative research is more interested to understand the subjective meaning of social phenomena (Harrison, 2013). In a mixed methods study, both the quantitative and qualitative approaches are combined to explain the issue being studied using different types of data, methods of collection, types of analyses, and reporting. Given this flexibility, researchers could apply the mixed method approach at various phases of the study, namely in developing the research questions and hypotheses, sampling, data collection,

analyses, and in reporting the findings (Creswell, 2009; Creswell & Plano Clark, 2011).

Based on an analysis of 19 definitions of mixed methods research, Johnson et al. (2007, p. 123) offer the following definition of mixed method research:

> "*Mixed methods research is the type of research in which a researcher or team of researchers combines elements of qualitative and quantitative research approaches (e.g., use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the purposes of breadth and depth of understanding and corroboration."*

Two main features of mixed method studies are: (1) to combine both the quantitative and qualitative approach; and (2) this combination has to be performed in a single study (Grafton & Lillis, 2011; Harrison, 2013).[11] While mixed method research does not provide a resolution for all research problems, however, combining the quantitative and qualitative approaches in a single study could provide a more comprehensive understanding of the research problem based on findings from diverse data (Creswell, 2009). Thus, the central idea of conducting a mixed method research is to increase the credibility and validity of the findings from different instruments (Wheeldon, 2010), since in mixed methods study the weaknesses in one method are outweighed by the other method (Patton, 1999;

[11] McKerchar (2010), however, suggests that a mixed method research is not necessarily combining quantitative and qualitative approaches in a single study. Two different methods of enquiry which come from the same methodological approach, such as using experimental design and a survey (quantitative approach) in a single study, could also reflect a mixed method study.

McKerchar, 2010; Creswell & Plano Clark, 2011).[12] The mixed methods approach also reduce the possibility that the findings from the research are due to the unique features of the method employed (Patton, 1999; Grafton & Lillis, 2011), and thus reduces the biases inherent in a mono-method approach (Feilzer, 2010).

Despite the incompatible thesis debate suggesting that the quantitative and qualitative approaches can never be combined in a single study due to the differences in their underlying paradigms (Bryman & Bell, 2011; Grafton & Lillis, 2011), over the years mixed methods approach has gained a considerable support in research (Creswell & Plano Clark, 2011). The mixed methods approach is considered as "a research paradigm whose time has come" (Johnson & Onweugbuzie, 2004, p. 14) and "the third major research approach" (Johnson et al., 2007, p. 112). In the tax context, McKerchar (2010) suggests that the use of mixed methods in tax studies could address different objectives of the study, inform one approach from the other at the design or data interpretation stage, and compare findings from multiple approaches.

Tax compliance behaviour is a complex and sensitive topic because it involves ethical consideration of whether or not to comply with the tax law. By incorporating quantitative and qualitative elements in this study, it provides an opportunity for the researcher to include divergent views which could lead to deeper and comprehensive understanding of the tax compliance behaviour of tax agents in Malaysia and New Zealand. The use of a quantitative approach (survey) in this study allows the researcher to generalize the findings to a population of tax

[12] See for instance, Creswell and Plano Clark (2011, pp. 8-11) for comprehensive justifications on using mixed method approach in research.

agents in public practice in Malaysia and New Zealand, and later the issue is explained further by using qualitative approach, namely the interview which collected deeper views from interview participants.

4.4 The Mixed Method Research Design for the Study

In conducting a mixed methods study, researchers have suggested a number of mixed method designs, taking into account whether both quantitative and qualitative approaches have equal strength or one approach dominates the other. The order of performing the quantitative and qualitative approaches, either sequentially or concurrently is also considered. Teddlie and Tashakkori (2006), for example developed four types of multistrand mixed design based on two dimensions:

(1) Types of approach or methods employed, and

(2) Number of strands or phases in the study.

Onweugbuzie and Collins (2007) suggested eight mixed method research designs incorporating the time orientation (concurrent or sequential) and the relationship of the samples. Creswell (2009) and Creswell and Plano Clark (2011), on the other hand, suggested six common mixed method research designs comprising the: convergent parallel, sequential explanatory, sequential exploratory, embedded, transformative, and multiphase designs.

While there are differences in terms of the number of major research designs being suggested for mixed method studies, Johnson and Onweugbuzie (2004), Onweugbuzie and Collins (2007), Creswell (2009), and Creswell and Plano Clark (2011) agree, that the choice of the appropriate mixed methods research design has to incorporate several factors. These include the timing of conducting

the study, the weightage to be given to each quantitative and qualitative strand, the choice of subjects as samples for the study, and the interpretation of the findings.

In discussing the mixed method designs, some scholars, such as Onweugbuzie and Collins (2007), Creswell (2009), Creswell and Plano Clark (2011), also agree that the mixed methods design may not be restricted to those being mentioned earlier, and it is also possible that the design emerges during the progress of the study. Bryman and Bell (2011) also commented that in reality it is not easy to classify mixed methods studies based on priority (quantitative, qualitative or equal weight) and sequence of conducting the study, since a "methodologist cannot create a complete taxonomy of MM designs, due to their (the designs') capacity to mutate into other diverse forms" (Teddlie & Tashakkori, 2006, p. 13). This argument is reiterated by Onweugbuzie and Collins (2007, p.297), for instance, in determining the sample in mixed method study:

> *"The exciting aspect of mixed methods sampling model is that a researcher can create more tailored and/or more complex sampling designs than the ones outlined here to fit a specific research context, as well as the research goal, research objective(s), research purpose, and research question(s). Also it is possible for a sampling design to emerge during a study in new ways, depending on how the research evolves".*

Based on the above discussion the researcher concludes that the research design in mixed method studies do not necessarily fall strictly into any type of the commonly used mixed method designs, as suggested in mixed method literature, since the design has to report the actual mixed methods process in the study which

could evolve once the study progresses. In this study the researcher employs a cross between sequential explanatory and concurrent mixed method designs with an identical sample to examine some selected factors that influence tax agents in their decision-making while performing their engagement roles. For that reason, only these two relevant designs, the sequential explanatory, and concurrent mixed method, are further discussed in this section. An identical sample refers to the same sample members participating in both the quantitative and qualitative phases of the study (Collins et al., 2007; Onweugbuzie & Collins, 2007).

A sequential explanatory design performs two different phases: the quantitative phase precedes the qualitative phase (Creswell, 2009). At the first phase of a sequential explanatory design, quantitative data collection and analysis are performed by the researcher, and in the second phase the researcher collects and analyses qualitative data using the same or different samples based on findings from the first phase (Creswell & Plano Clark, 2011). With respect to sampling, one method is used to assist the other method. The quantitative data and analysis offer a general view of the issue being examined, while the qualitative data and analysis refine and provide further insights into the quantitative phase (Harrison, 2013). In a typical sequential explanatory design, the qualitative findings complement the quantitative findings (Creswell, 2009). The quantitative findings and qualitative results could also be interpreted as overall mixed methods results (Creswell & Plano Clark, 2011).

A concurrent mixed method design,[13] on the other hand, is reflected when quantitative and qualitative data collection and analysis are performed concurrently in a single study (Creswell, 2009). In a concurrent mixed methods design, both quantitative and qualitative strands are given equal emphasis since they are being implemented in the same phase, and data from both strands are also analysed independently. The findings from both strands are later mixed or compared before providing overall conclusions (Creswell & Plano Clark, 2011).

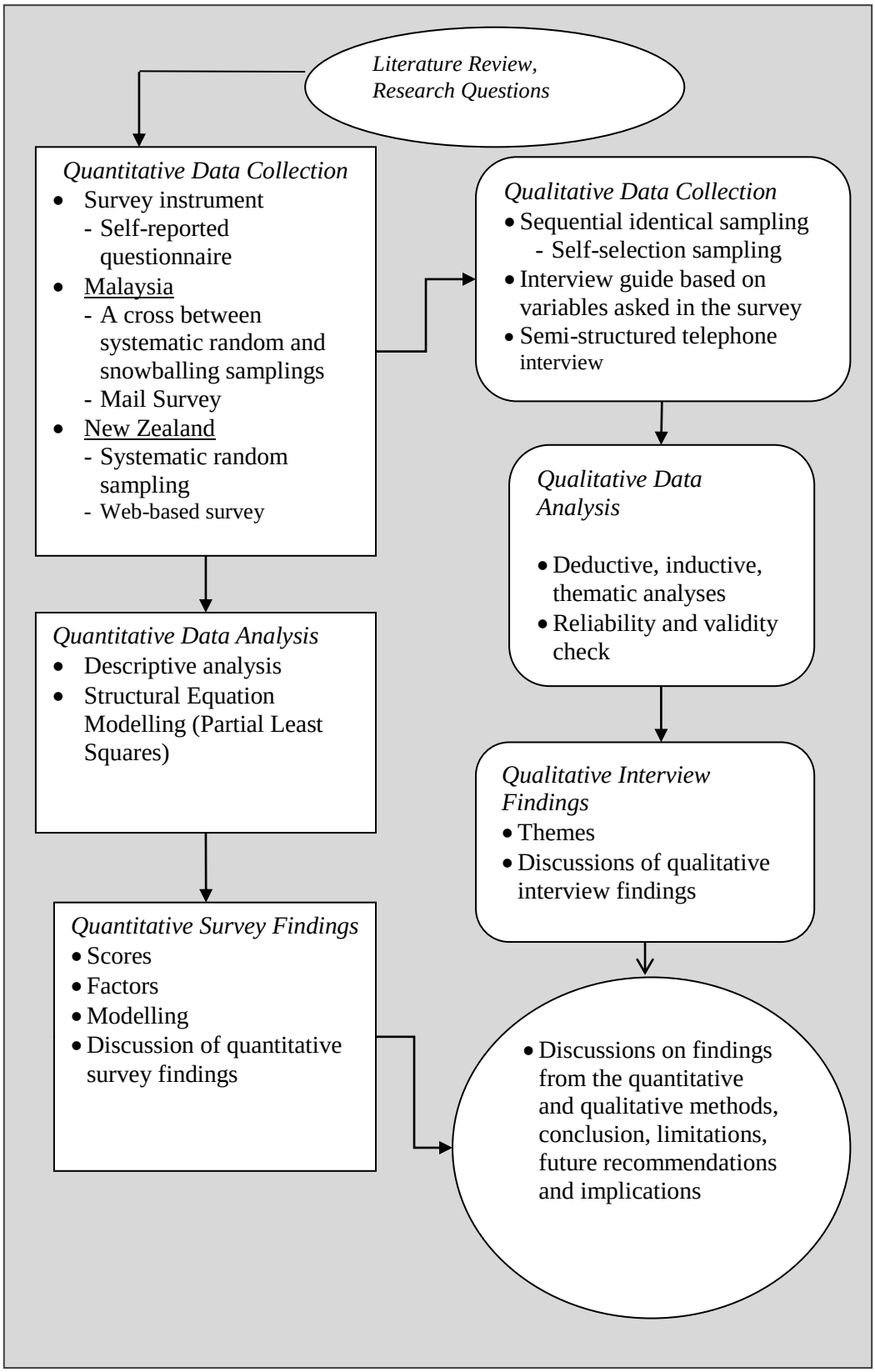
The purpose of this study is to understand the factors that influence tax agents' compliance behaviour while performing their engagement roles by extending the Theory of Planned Behaviour (TPB) with cultural and ethical sensitivity. In this study, the researcher performed both the quantitative and qualitative methods to understand the issue being examined. The quantitative data from the survey is used to obtain a general idea or understanding on some selected factors that influence tax agents in their tax compliance behaviour while performing their engagement roles by predetermining the variables that the researcher would like to examine based on the review of past studies. The survey, however, could only provide a snapshot of the tax compliance behaviour of tax agents which could explain only the broad concept of the phenomena. This is the situation since while surveys have been widely used in tax studies (Jackson & Milliron, 1986; Richardson & Sawyer, 2001), the nature of survey as a method of enquiry may restrict the type of questions that could be asked (McKerchar, 2012a).

[13] Concurrent mixed method design or research is the terminology being used by Johnson and Onweugbuzie (2004) and Bryman and Bell (2011). Creswell (2009) uses the term 'concurrent triangulation strategy' and Creswell and Plano Clark (2011) use the term 'convergent parallel design'.

In tax studies, a survey could also be used to obtain interview participants (McKerchar, 2012b). Therefore, apart from providing general understanding of tax agents' compliance behaviour, the survey in this study was also used as a platform for survey respondents to self-identify their interest to participate in the interview.

To compensate the limitation of survey as a method of enquiry, as well as to obtain in-depth insights into the factors that influence tax agents in their decision-making while performing their engagement roles in Malaysia and New Zealand, the researcher conducted semi-structured interviews about the same time the survey was disseminated. This was undertaken since a situated, contextual method of enquiry which is normally associated with qualitative approach, such as interview, could offer many potential insights (Brand, 2009). Furthermore, in the tax context, McKerchar (2012b) suggests that the qualitative approach could be used to gain deeper understanding rather than finding the absolute truth, which is aligned with the pragmatism paradigm being applied in this study and the emic perspective of a cross-cultural research. The interview in this study also provides opportunities for survey respondents to explain further their responses in the survey. The design for the study is illustrated in Figure 4.1.

Figure 4.1 Diagram of the research process to understand tax agents' tax compliance behaviour in Malaysia and New Zealand while performing their engagement role



As a result of time constraint in conducting the study and the availability of interview participants, the above diagram reflects a partially sequential explanatory and partially concurrent mixed methods design. In a typical sequential explanatory design, as discussed earlier in this section, the quantitative data gathering and analysis are performed in the first phase of the study. The qualitative strand is only performed once the quantitative strand has been completed. In this study, however, the data collection for the qualitative phase was carried out about the same time as the survey. This is because in the invitation to participate in the interview, the tax agents were permitted to choose their own time for the interview. This approach is considered to be appropriate considering that tax agents are busy people, and assists with motivating the interview participants to provide answers comfortably, avoid any bias in the answers as a consequence of the different duration of time spent in the interview. Furthermore, if the interviews are conducted only after the quantitative phase is fully completed, as suggested by the typical sequential explanatory approach, as a result of the time gap there is a possibility that the interview participants may find it challenging to recall the issues during the later interview.

The sequential explanatory design in this study is reflected based on the following features present in this study: (1) qualitative phase, which is used to facilitate the quantitative findings by providing in-depth insights into the issue being examined, and (2) the quantitative phase which is used as a platform to obtain participants in the qualitative phase. The concurrent mixed methods design in this study is reflected in: (1) the timing of conducting the qualitative phase was before completion of the quantitative phase (the first phase), (2) the quantitative

and qualitative strands which were analysed independently. The design for this study is consistent with the suggestion by Creswell and Plano Clark (2011) that the classifications of mixed methods design, only provide a guideline to mixed methods design and researchers should not "try to 'type' their design but to reflect on the actual practice of mixed method research" (Creswell & Plano Clark, 2011, p. 281).

4.5 Ethical Clearance

Considering that this study involves human participation and sensitive issues on tax compliance behaviour of tax agents in Malaysia and New Zealand while performing their engagement roles, the researcher applied for ethical clearance from the Human Ethics Committee (HEC), University of Canterbury, before collecting data for the study. This is to ensure that the content of the study follows the ethical standards of the HEC. The ethical clearance received from the HEC was stated in the invitation to participate in the study. In addition, the researcher also obtained approval from the Economic Planning Unit (EPU) of the Prime Minister's Department of Malaysia to collect the data in Malaysia. The approval from the EPU was also stated in invitation to participate in the study for Malaysian respondents. The respective approval ethical clearance letters from the HEC and EPU are attached as Appendices A and B of this thesis.

4.6 Sample Selection in Mixed Method Study

Sampling in mixed methods design is more challenging since the researcher has to consider both the quantitative and qualitative phases in a single study (Onweugbuzie & Collins, 2007). Creswell and Plano Clark (2011), for instance, provide some recommendations to select samples for each commonly mixed

method research design. According to Creswell and Plano Clark (2011), in a typical sequential explanatory design, the participants in the qualitative phase should come from those who participated in the quantitative phase, since the qualitative findings are intended to provide in-depth understanding of the responses from the quantitative phase. Likewise, Creswell and Plano Clark (2011) also recommend using the same sample population in a concurrent mixed methods study if the purpose of the findings is to confirm, directly compare, or associate two different sets of findings in understanding a research issue.

In addition to that, since this study is a cross-cultural study comparing Malaysia and New Zealand, the choice of samples being studied is another issue that has to be considered. This is important since in a cross-cultural study, a match sample has to be used to allow for comparison (Hofstede, 1980; Malhotra et al., 1996). However, to find a matched sample in every aspect is not practical due to the constraints on time and resources. Hofstede (1980), for instance, used respondents working in IBM in a particular country irrespective of their nationality to be sufficient representativeness of national culture.

In trying to understand the factors that influence tax agents in their decision-making, this study uses identical samples for both the quantitative and qualitative phases. This study uses tax agents in public practice as samples to reflect the reality of tax compliance behaviour of tax agents while performing their engagement roles. This is also aligned with the suggestion by Loe et al. (2000, p. 200) in a review of empirical studies in ethical decision-making in business where they state that the use of samples who are practising in the real business world should be encouraged to "gain face validity in providing research results that will

be given serious consideration by practitioners". The sample selection for both quantitative (survey) and qualitative (interview) strands is further discussed in the respective sections.

4.7 Survey

The syntheses by Jackson and Milliron (1986) and Richardson and Sawyer (2001) suggest that questionnaire survey is commonly used to collect data in tax studies. This is because a questionnaire survey is effective in collecting responses for the same set of questions from the samples of the study (Saunders et al., 2003). In this study, the survey was used to discover general understanding on the predetermined factors, as discussed in Chapter Two, which may influence tax agents while performing their roles. The survey was also used to provide an *etic* approach, as mentioned in Section 4.2, in understanding the factors that influence tax agents in their decision-making.

According to Saunders et al. (2003), a questionnaire could be broadly divided into self-administered and interviewer administered. The self-administered questionnaire can be further grouped into online questionnaires, postal or mail questionnaires, and delivery and collection questionnaires. The interviewer-administered questionnaire consists of telephone questionnaires and structured interviews. In this study, a self-administered questionnaire survey was used to obtain the responses of tax agents in examining the factors that influence them in their decision-making. The following subsections explain further the data collection for the quantitative phase of the study.

4.7.1 Sample selection for the survey

As mentioned in Section 4.6 of this chapter, the samples used in this study are tax agents in public practice. Due to the availability of the data, the researcher used different methods to choose the sample for the study in Malaysia and New Zealand. Malhotra et al. (1996) suggest that in cross-cultural research, different techniques could be used in choosing samples in different cultures as long as comparison between cultures is still possible. In this study using tax agents in public practice in Malaysia and New Zealand is considered to be comparable since they represent a subsample of the tax agents' population. The sample selection for Malaysia and New Zealand is further discussed in the following subsections.

4.7.1.1 Malaysia

Sample selection could be broadly grouped into probability and non-probability sampling (Bryman & Bell, 2011). The sample in Malaysia was selected using a cross between systematic random sampling (probability sampling) and snowballing (non-probability sampling). Systematic random sampling chooses the *kth* number of sample from a sampling frame (Sekaran & Bougie, 2010). The advantage of using systematic random sampling approach is it is easy to use (Sekaran, 2002). However, the use of systematic random sampling in sample selection could result in the existence of systematic bias which may lead to the possibility of drawing inaccurate conclusions from the data and affect the generalizability of the findings (Saunders et al., 2003; Sekaran & Bougie, 2010). In snowball sampling, the initial samples in the study are used to identify further samples (Bryman & Bell, 2011). Snowball sampling is helpful especially when there is a difficulty to identify samples for the population. However, in snowball

sampling, the samples obtained may not represent the population since the earlier samples may identify further samples which are similar to themselves (Saunders et al., 2003).

An initial attempt to collect data was made with the assistance of the Chartered Tax Institute of Malaysia (CTIM) and as a result the sample was randomly selected by the CTIM. Since this approach did not result in any fruitful response, the researcher then developed a list of 500 tax agents from the website of the Malaysian Inland Revenue Board (MIRB) using a systematic random sampling approach. The tax agents who are listed on the MIRB website are normally those at high positions, such as director and partner of taxation firms. Therefore, to obtain a more robust sample, the researcher used a snowballing approach by requesting those tax agents who were selected from the website to distribute another two sets of the questionnaire survey packs to their staff. A similar approach has been used by Singh (2003) in selecting public accountants for samples in his study in Malaysia. Due to the snowballing approach, there is a possibility that the samples also consisted of employees of tax agents. However, they are also subject to the same professional ethical code of conduct since the accounting profession in Malaysia is governed by the MIA.

4.7.1.2 New Zealand

Similar to Malaysia, the New Zealand data was initially collected with the assistance of the New Zealand Institute of Chartered Accountants (NZICA), and thus the sample was randomly selected by the NZICA. Due to the small number of responses of the survey ($n = 6$), the researcher decided to ignore the data collected from this approach. To select the potential respondents for the study, the researcher

later developed a database using systematic random sampling based on the listing of public practitioners available from the NZICA website.

4.7.2 Sample size for survey

A sample is a subset of a population to be examined which ideally should represent the population. In a quantitative approach, the sample's responses are used to draw conclusions and generalize the findings to the population. The sample size is determined normally after considering the required confidence level and the extent of the precision accepted from the sample (i.e., standard error). Various methods could be used to determine the appropriate sample size such as Cohen (1988), Saunders et al. (2003), and Sekaran and Bougie (2010). Based on the statistical power analyses performed by Onweugbuzie et al. (2004), Collins et al. (2007) summarized the minimum sample size recommended for most common quantitative research design with moderate statistical power effect sizes of 0.80 at 5 percent level of significance reproduced as follows:

Table 4.1 Recommended Minimum Sample Size for Most Quantitative Research Design

Research design	Minimum sample suggestion
Correlational	64 participants for one-tailed hypotheses; 82 participants for two-tailed hypotheses (Onwuegbuzie et al., 2004)
Causal-comparative	51 participants per group for one-tailed hypotheses; 64 participants for two-tailed hypotheses (Onwuegbuzie et al., 2004)
Experimental	21 participants per group for one-tailed hypotheses (Onwuegbuzie et al., 2004)

Source: Adapted from Collins et al. (2007, p. 273).

To determine the appropriate sample size for the study, the researcher relied on the guideline provided by Krejcie and Morgan (1970) which has simplified the sample size decision based on the population (N) and sample size (S) depicted as follows in Table 4.2:

Table 4.2 Table for Determining Sample Size from a Given Population

N	S	N	S	N	S	N	S	N	S	N	S
10	10	85	70	220	140	440	205	1200	291	4000	351
15	14	90	73	230	144	460	210	1300	297	4500	354
20	19	95	76	240	148	480	214	1400	302	5000	357
25	24	100	80	250	152	500	217	1500	306	6000	361
30	28	110	86	260	155	550	226	1600	310	7000	364
35	32	120	92	270	159	600	234	1700	313	8000	367
40	36	130	97	280	162	650	242	1800	317	9000	368
45	40	140	103	290	162	700	248	1900	320	10000	370
50	44	150	108	300	169	750	254	2000	322	15000	375
55	48	160	113	320	175	800	260	2200	327	20000	377
60	52	170	118	340	181	850	265	2400	331	30000	379
65	56	180	123	360	186	900	269	2600	335	40000	380
70	59	190	127	380	191	950	274	2800	338	50000	381
75	63	200	132	400	196	1000	278	3000	341	75000	382
80	66	210	136	420	201	1100	285	3500	346	1000000	384

Source: Krejcie and Morgan (1970, p. 608).

Based on Table 4.2, the recommended sample size for Malaysia is 322 while for New Zealand it is 341. Prior tax compliance studies involving surveys, however, indicate the possibilities of obtaining a low response rate (see for instance Tran-Nam & Karlinsky, 2008; Mohd Isa, 2012). As a result, the researcher decided to consider a larger sample size of 1,500 for each country.

4.7.3 Pilot testing

Pilot testing is normally conducted before disseminating the survey to potential respondents of the study. The purpose of pilot testing is to refine the questionnaire so that respondents do not have any difficulties in understanding the content of the survey. This process is helpful in increasing the reliability and validity of the survey instrument (Saunders et al., 2003). The researcher conducted three stages of pilot testing for this study. In the first stage, the researcher requested opinions from tax academics, tax agents,[14] postgraduate accounting students in the researcher's department and two Malaysian postgraduates in business studies regarding the content of the survey. The researcher improved the questionnaire after considering the recommendations provided and then pilot tested the survey with members of Accountants and Tax Agents of New Zealand (ATAINZ), previously known as Tax Agents of New Zealand (TINZ). Based on the feedback from members of TINZ who participated in the pilot study, the researcher refined the questionnaire and finally, translated the survey from English into Bahasa Malaysia.[15]

4.7.4 Data collection procedure

The method of disseminating the self-administered questionnaire survey in this study is partly related to the availability of the potential respondents for the study. In Malaysia, postal mail was used to distribute the questionnaire, while a

[14] The tax agents consisted of a tax staff from a Big Four public accounting firm, a tax staff member in a medium-sized public accounting firm, an in-house tax staff in an oil and gas company who previously worked in a Big Four public accounting firm, and a tax sole practitioner.

[15] The researcher holds a certificate from the Malaysian National Institute of Translation. The researcher also requested assistance from a tax lecturer to review the translated version to ensure the original concepts are maintained and equivalent to the English version.

web-based online survey was used in New Zealand. The use of different modes in collecting survey data in two different populations has been acknowledged by Dillman et al. (2009). However, a mixed-mode approach used for administering a survey has to be performed with caution since there is a possibility for measurement difference to occur. This only occurs when the mode of administrating the survey influences the response of the participants, such as when one mode involves face-to-face survey and the other involves mail or online survey (Dillman et al., 2009; Bryman & Bell, 2011).

Since in this study the researcher did not have any face-to-face meetings with the respondents in Malaysia and New Zealand, the measurement difference is not a concern. Furthermore, Bryman and Bell (2011) suggest that the use of paper-based self-completion questionnaire and web-based survey in a single study basically does not influence the respondents' answers to the survey. In view of the foregoing, the surveys in Malaysia and New Zealand are considered to be similar despite the different modes used. The survey modes for Malaysia and New Zealand are explained further in the following subsections.

4.7.4.1 Malaysia

The questionnaire survey was initially disseminated with the assistance of CTIM through advertising the link for an online survey in its bulletin (see Appendix C for the invitation email). However, since the approach did not provide any fruitful results, the researcher then used a mail survey to disseminate the questionnaire in Malaysia. The use of mail survey has some advantages and disadvantages. For instance, a mail survey is an advantage if the respondents are geographically widely dispersed (Bryman & Bell, 2011) and could increase the

possibility of getting an honest response in studies involving sensitive issues (McKerchar, 2012a). However, it has the disadvantages of low response rate and the possibility that the questionnaire is completed by someone else not in the position to answer the survey (Bryman & Bell, 2011). After considering the advantages and disadvantages, as well as the available correspondence details displayed on the list of tax agents on the MIRB website,[16] the researcher decided to send the questionnaire via mail.

The questionnaire survey package contained a cover letter, an interview consent form and two self-addressed stamped envelopes, one each for the questionnaire and interview consent form were sent to five hundred tax agents, resulting in 1,500 questionnaires being sent out to potential respondents. The cover letter explained the purpose of the study, confirmation on the anonymity response for the survey, an invitation to participate in the interview, ensured confidentiality of the interview data and confirmed that the relevant ethics clearance was attached with the questionnaire. The use of two different envelopes for the questionnaire and interview consent form was to ensure that there was no possible association between the respondents in the survey and the interview participants. The potential respondents were given four weeks to return their responses from the date they received their questionnaire. Two weeks after sending out the survey packages, the researcher made telephone calls to follow up with the potential respondents.

Despite Bahasa Malaysia being the national language of Malaysia, the English language is widely used in commerce in Malaysia (Foo & Richards, 2004). Recent surveys conducted in Malaysia, for instance, Lim (2001), in investigating

[16] The list provides the names of tax agents, their postal addresses, and their contact numbers.

the Malaysian business manager work values, and Singh (2003) in examining the ethical decision-making of public accountants in Malaysia, indicate that it is an acceptable practice to use English as a medium of surveys in Malaysia. The reason being business managers and public accountants, are expected to have undergone certain levels of education and the mastery of English in Malaysia is encouraged at all levels from primary to tertiary education (Foo & Richards, 2004). Considering that tax agents in Malaysia have undergone certain levels of education and are familiar with English as a medium of communication, the researcher sent the English version of the questionnaire to the Malaysian tax agents in this study. The researcher, however, provided a link[17] for the softcopy of the Bahasa Malaysia version of the questionnaire on the cover page of the mail survey so that the tax agents in this study have the options to respond either in English or Bahasa Malaysia. A sample of the questionnaire is available in Appendix D.

4.7.4.2 New Zealand

The first attempt to collect data in New Zealand was made with the assistance of NZICA by advertising the link to participate in the study in its Newsletter (a sample of the invitation email is provided in Appendix E). As mentioned in subsection 4.7.2.2, due to the discouraging response, the researcher later developed a database from the list of public accountants available on the NZICA website, and sent the questionnaire survey as well as the invitation to participate in interviews through online.

[17] The link would direct potential respondents to a web-based questionnaire survey in Bahasa Malaysia. The web-based survey was designed similar to the process explained for the New Zealand web-based survey in subsection 4.7.4.2. No response, however, was recorded for the Bahasa Malaysia version of the survey.

Bryman and Bell (2011) suggest that basically there are two types of online surveys, namely electronic mail (email) and web-based surveys. In an email survey, the questionnaire is sent to the respondents via email, either as an attachment or embedded in the email itself. In the case of the former, respondents state their responses in the attachment file and return it to the sender as an attachment. In the embedded email survey, the questionnaire is located in the email itself and respondents have to state their answer in that email. Once completed, the respondents just need to choose the 'reply' button to the sender.

A web-based survey, according to Bryman and Bell (2011), refers to inviting potential respondents to access a website where the questionnaire is located and if agreed, complete the questionnaire. Compared to email survey, the use of a web-based survey allows respondents' responses to be automatically recorded, which could ease the workload of the researchers in managing the data and there is more flexibility in designing the questionnaire (Bryman & Bell, 2011). Furthermore, similar to a mail survey, the use of web-based survey could increase the possibility of obtaining honest responses from respondents in sensitive issues (McKerchar, 2012a) such as this study.

The researcher developed the questionnaire survey using the Qualtrics Survey Software (QSS) subscribed by the University of Canterbury. The QSS allows the researcher to design the questionnaire so that respondents could only answer the questionnaire once and no internet links from respondents were recorded to ensure anonymity. Two separate links, each for the survey and the

invitation to participate in interview,[18] were also created. The responses from the survey links and invitation for the interviews were automatically recorded in two separate accounts. The different links were created for the survey and the interview to ensure the survey answers and the participant profiles could not be associated in any manner.

An introduction email was sent to 1,500 potential respondents explaining the purpose of the study, confirming the anonymity of the survey answers, ensuring confidentiality of the interview information, and confirming the relevant ethical clearance. In the introduction email, the aforementioned two separate links were also included to direct respondents to the survey and the invitation to participate in the interview. The respondents were given four weeks to provide their responses and as an effort to increase the response rates two reminder emails were sent to all potential respondents after a month.

4.7.5 Questionnaire design

The questionnaire survey contains three parts; and the first part consists of questions related to national culture and tax compliance. In the second part, the researcher developed two hypothetical tax scenarios or vignettes. Part three presents the questions related to respondents' demographic background, namely gender, age, ethnicity, experience in tax practice, type of firm and position.

The content of the questionnaire survey is further discussed in the construct development and measurement section of this chapter. The survey was initially

[18] The details of the interview link are explained in subsection 4.8.5 of this chapter.

developed in English and later translated into Bahasa Malaysia as an option for Malaysian respondents to answer in Bahasa Malaysia.

4.7.6 Construct development and measurement

As explained earlier in Chapter 3 Research Framework , to understand the tax compliance behaviour of tax agents in Malaysia and New Zealand while performing their engagement roles, this study proposes to extend the Theory of Planned Behaviour (TPB) by including ethical sensitivity and culture in the model. Therefore, the proposed model consists of six constructs, with four constructs derived from the TPB elements, namely intention, attitudes, subjective norms and perceived behavioural control, with the two other constructs being ethical sensitivity and culture. These theoretical constructs are latent or unobservable constructs, and to test these constructs, the researcher developed and adopted measure or indicators as presented in Appendix F, from prior studies in taxation, accounting, and human behaviour.

Sekaran and Bougie (2010) suggest that measures of a construct could be reflective or formative. This is because a construct is not inherently reflective or formative, and depending on the theoretical concept, some constructs could be modelled either as reflective or formative (MacKenzie et al., 2011). Therefore, one of the important issues in designing a study is to determine whether the constructs to be examined are reflective or formative (Jarvis et al., 2003). Before explaining further the measures applied in this study, the differences between reflective and formative constructs are discussed in the following Section 4.7.6.1. In addition, the discussion on second order factors is also presented, which is important to understand that the construct development is at a more abstract level. In this study,

the constructs for ethical sensitivity and culture are perceived to be multidimensional, and defined using second order factor.

4.7.6.1 Reflective and formative measures

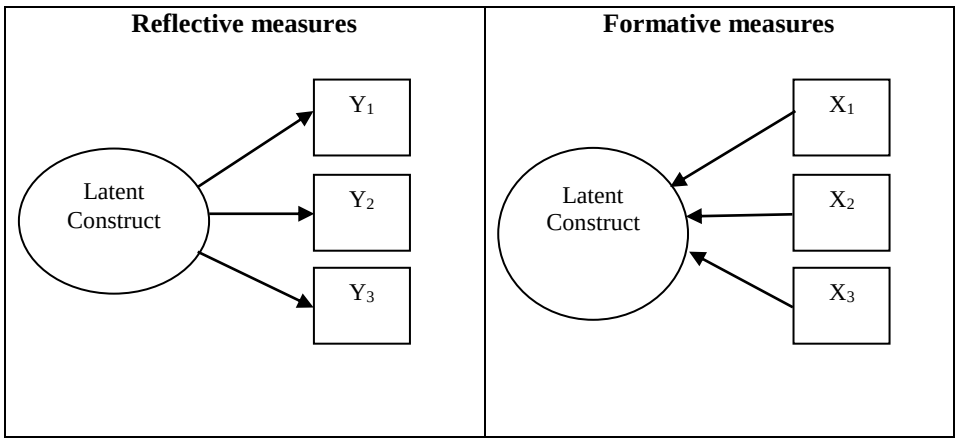
Measures or indicators could be distinguished as either influenced by the latent construct (reflective) or formed the latent construct (formative) which could be determined in a way by examining the direction between the latent construct and the measures. In reflective constructs as depicted in Figure 4.2, the measures or indicators are influenced by the latent construct, and thus the direction of causality is from the latent construct to the measures (Jarvis et al., 2003).

Since reflective measures are influenced by the latent construct, they are supposed to measure the same underlying concept of the latent construct. Reflective measures are also expected to be highly correlated and interchangeable (Haenlein & Kaplan, 2004). In view of the foregoing, eliminating a measure will not cause any changes to the meaning of the latent construct since the remaining measures could adequately present the latent construct (Jarvis et al., 2003). However, if the latent construct changes, then all reflective measures should change accordingly (Urbach & Ahlemann, 2010). Given the nature of reflective measures, statistically, reflective measures also incorporate measurement error at the item level (Haenlein & Kaplan, 2009).

Formative measures as illustrated in Figure 4.2, on the other hand represents different dimensions of the latent construct and thus form the latent construct (Gefen et al., 2000). Formative measures are suitable when a latent construct is defined based on the combination of its measures (Henseler et al.,

2009), which suggest that they influenced the latent construct. Since they formed the latent construct, the direction of causality is from the measure to the latent construct (Jarvis et al., 2003). Furthermore, unlike reflective measures, which are supposed to be highly correlated, formative measures could have positive, no correlation or negative relationships (Haenlein & Kaplan, 2004). Due to this, dropping off a formative measure could possibly change the meaning of the latent construct (Jarvis et al., 2003), since each measure represents the different dimensions of the latent construct. The attributes of formative measures also suggest that the measurement error of the measures will only be accounted for at the latent construct level (Haenlein & Kaplan, 2004).

Figure 4.2 Reflective and formative measures



Source: Adapted from Haenlein and Kaplan (2004, p. 289).

To differentiate between reflective and formative measures, Jarvis et al. (2003) provide a set of guidelines which is reproduced in Table 4.3. Essentially, the guidelines focused on four main aspects in distinguishing the reflective and formative measures, which are:

(1) The direction of causality between the latent construct and the measures,

(2) Whether or not the measures are interchangeable,

(3) Covariance among the measures, and

(4) Whether or not the measures have similarity of antecedents and consequences.

Table 4.3 Guidelines to Determine Reflective and Formative Models

Attributes	Reflective model	Formative model
Direction of causality between measures and construct	Direction of causality is from construct to measures	Direction of causality is from measures to construct
Interchangeability of measures	Measures should be interchangeable	Measures need not be interchangeable
Covariance among measures	Measures are expected to covary with each other	Not necessarily for measures to covary with each other
Nomological net of construct indicators	Measures are required to have same antecedents and consequences	Measures are not required to have same antecedents and consequences

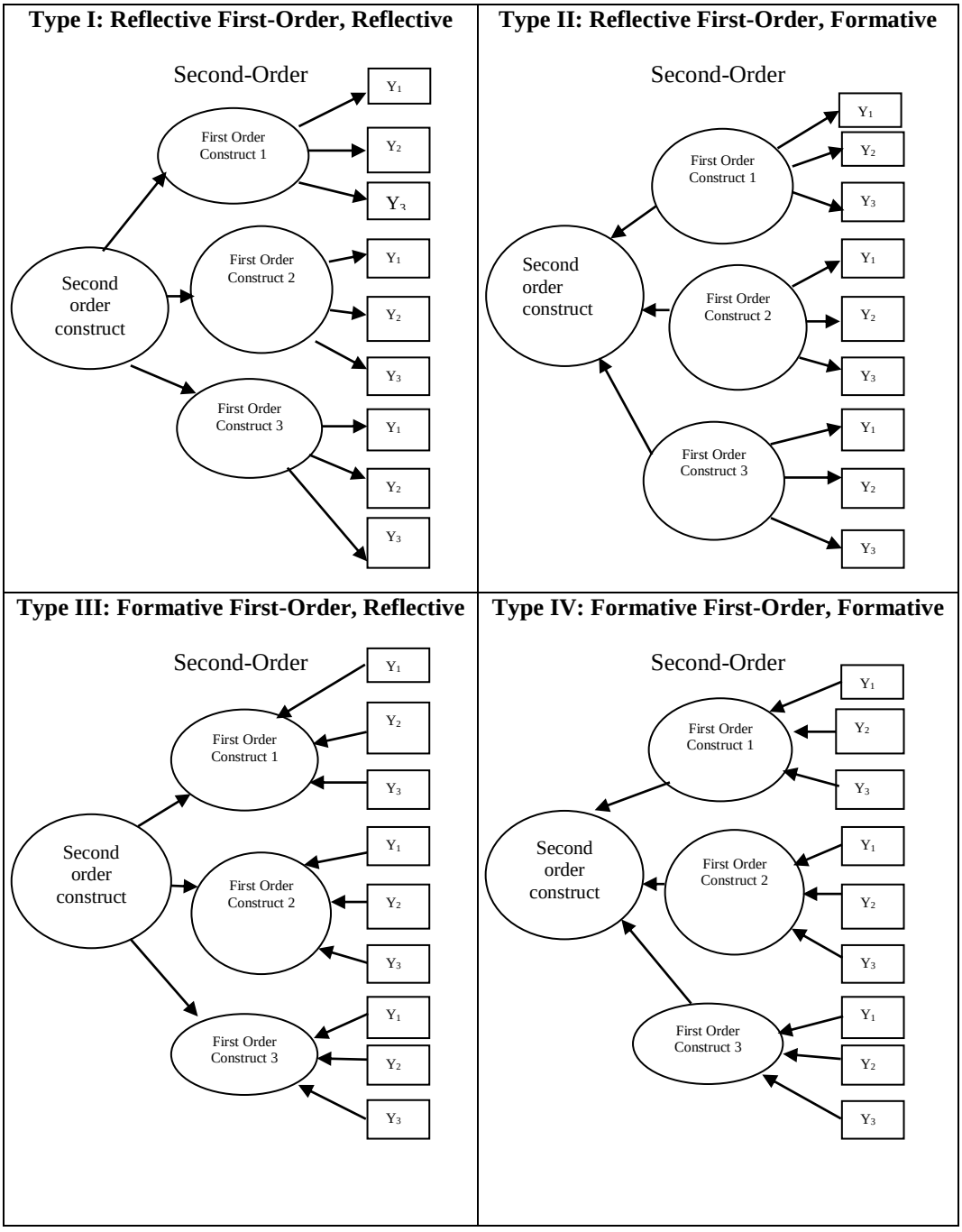
Source: Adapted from Jarvis et al. (2003, p. 203).

To illustrate reflective and formative measures, Henseler et al. (2009), for instance, provide an example of examining cycling fitness. In a reflective model of cycling fitness, the measures are based on a single underlying concept which is concerned with the heart rate, lactate level, and muscle proportion. A change in the heart rate, for instance, is correlated with the lactate level and muscle proportion. Likewise, the changes in the lactate level influence the heart rate and muscle proportion. On the other hand, if cycling fitness is developed as a formative model, then cycling fitness could be measured using different dimensions attributing to fitness such as the hours of training, nutrition intake, and drug abuse.

4.7.6.2 Second order factor

The discussion in Section 4.7.6.1 only focused on the first-order latent constructs. However, a latent construct could be conceptualized at a more abstract level especially when it requires multidimensional measures to explain its underlying concept. Jarvis et al. (2003) suggest four different types of second-order factor models comprising reflective or formative measures in a single construct or a combination of both in a construct. The four options of second-order factor models are illustrated as follows:

Figure 4.3 Types of second-order factor models

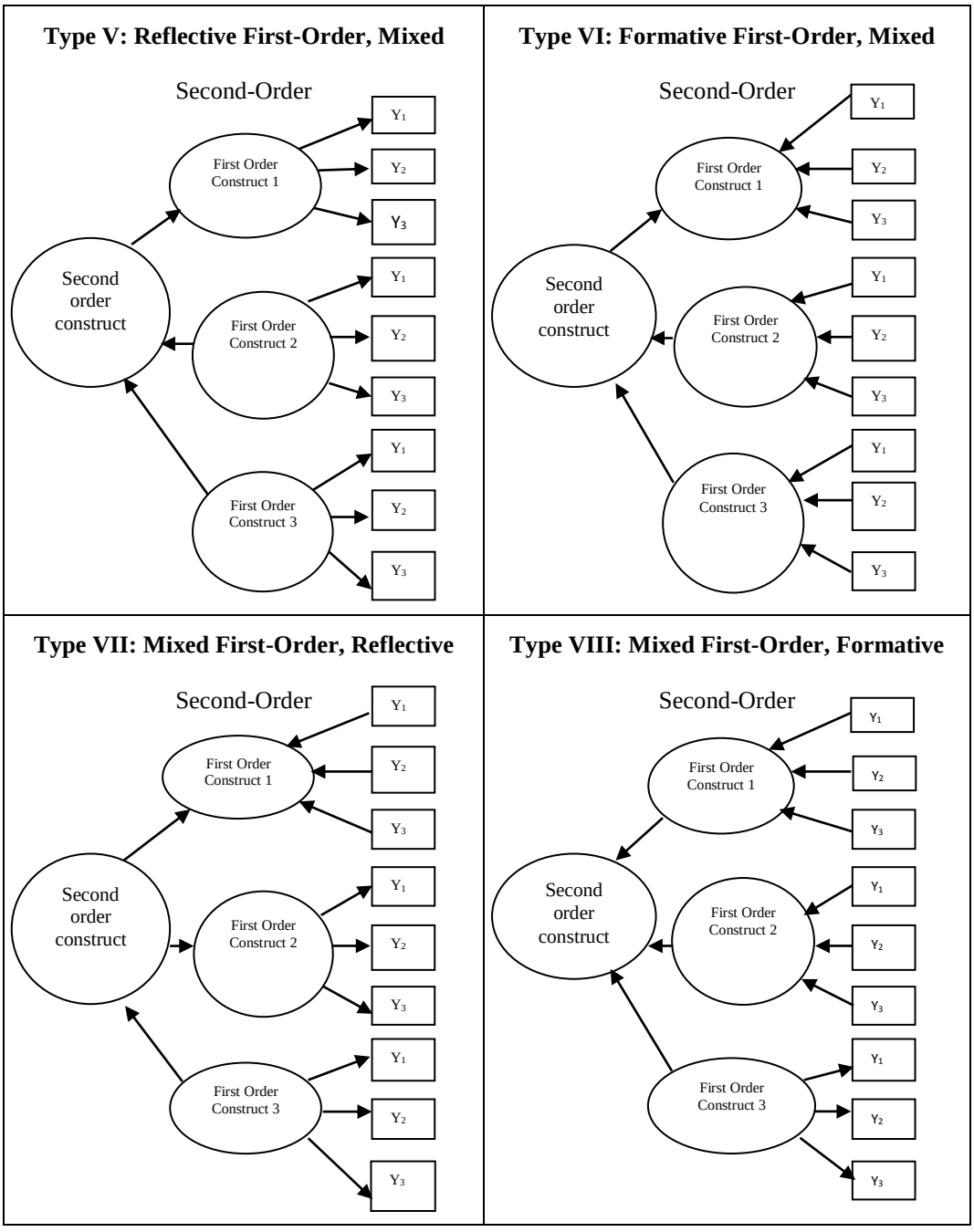


Source: Adapted from Jarvis et al. (2003, p. 205).

In the first model, Type I, both the first-order factor and second-order factor are conceptualized using reflective measures. In Type II model, the first-order factor is developed based on reflective measures and the second-order factor is

conceptualized using formative constructs. In Type III, the first-order factor model is explained using formative measures and reflective constructs are used to describe the underlying concept at the second level. Finally, in Type IV model both the first-order and the second-order factor models are conceptualized using formative measures and constructs. In addition to the above four second-order factor models, a model could also possibly contain a mixture of reflective and formative measures and constructs in either the first or second-order factor models (Jarvis et al., 2003). Examples of mixed models are presented in Figure 4.4.

Figure 4.4 Mixed models of measures and constructs

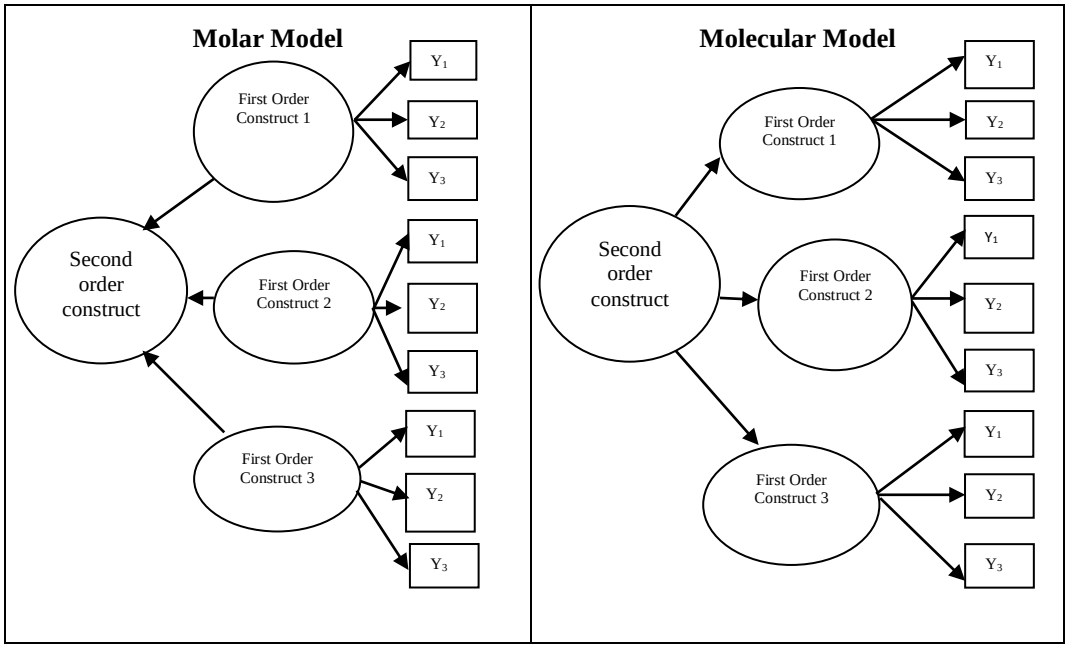


Source: Illustrated based on Jarvis et al. (2003, p. 204).

Apart from the above mixed models, Chin (2010) for instance, recognizes two types of higher order construct models known as molar and molecular higher order constructs in explaining the conceptualization of model at higher levels.

Based on the work of Chin and Gopal (1995), a second-order molar model is described as a model which has arrows from the first order constructs pointing towards the second-order construct. In this case, the first-order constructs are conceptualized as formative measures to the second-order construct. On the other hand, the molecular second-order model has arrows from the second-order construct pointing towards the first-order constructs, which implies that the first-order constructs are reflective measures to the second-order construct. The same procedures in determining the validity of the first-order factor model are used to determine the validity of the second-order factor model (Chin, 2010). In this study, the analysis on the second-order factor model is performed using a repeated indicator approach suggested by Chin (2010), Becker et al. (2012) and Hair et al. (2013). Both models are depicted in Figure 4.5.

Figure 4.5 Second-order Molar and Molecular Models



Source: Adapted from Chin (2010, p. 666).

Drawing from the literature review, theoretical concepts and conceptual framework of the study, the constructs and measures in this study applied the Type II which is the Reflective First-Order, Formative Second-Order Model suggested by Jarvis et al. (2003), or Molar Second-Order Model suggested by Chin and Gopal (1995) in explaining the tax compliance behaviour of tax agents while performing their engagement roles. At the first-order level, the reflective measures are used to explain the underlying concepts of the constructs while formative constructs are developed at the second-order factor model. For instance, culture is measured as a second-order factor model using Hofstede's (1980) National Cultural Dimension. At the first-order level, reflective measures are used to explain the attributes of culture. At the second-order level, the four constructs of Hofstede's (1980) National Cultural Dimensions are developed as formative constructs, since these four constructs formed the overall meaning of culture as proposed by Hofstede (1980).

4.7.6.3 Theory of Planned Behaviour

A review by O'Fallon and Butterfield (2005) indicates that scenarios or vignettes are widely used in ethics-based studies. The use of scenarios allows for decision-making to be made in a more real situation, as well as to standardise the social motivation for all respondents. It provides the opportunities "to manipulate the variable of interest while controlling for environmental factors" (O'Fallon & Butterfield, 2005, p. 403). For this study, two hypothetical tax scenarios on overstating business expenses and understating income, respectively, were developed based on the literature from prior studies and used to measure the Theory of Planned Behaviour (TPB) items, namely attitudes, subjective norms, and

perceived behavioural control. The scenarios on overstating expenses and understating income are considered as appropriate since, as suggested by Elliffe (2011), they imply the second type of tax gap component in a tax system.

Notwithstanding the advantages of using scenarios, they are criticised because normally researchers would assume they present the actual dilemma and the situation is the same for all respondents. In real life, however, this may not be the case (O'Fallon & Butterfield, 2005). To increase the validity and reliability of the scenarios, as well as seeking to overcome the criticisms of using tax scenarios in this study, as mentioned in subsection 4.7.4, the researcher had requested opinions from tax agents, amongst others. The tax agents were asked whether or not the scenarios reflect the reality, the most frequent tax scenarios that they faced, and the level of ease and difficulty to understand the scenarios.

Following the scenarios, a few statements to capture the TPB items were offered and respondents were required to provide their opinions using a seven-point fully anchored scale. All statements related to the TPB items were developed as direct measures following the guidelines suggested by Ajzen (2006), which measure the overall attitude, subjective norms, and perceived behavioural control of respondents with respect to the tax scenarios provided in the study. The scales to measure the TPB items were adapted from Buchan (2005), who had used the TPB in tax context and tested it on public accountants in the US, an approach which was also aligned with the guidelines suggested by Ajzen (2006). To enhance the ethical dilemma issues in both scenarios, the author mentioned about where the money from overstating the expenses or understating the income would be used. It is also assumed that since tax agents are taxpayers themselves, therefore what is ethical to

them is supposed to be ethical for their clients and vice versa. An example on the understating income scenario used in the study is depicted as follows:

> *Adam is a sole proprietor who receives cheques and cash for his business. In the current year, he received a cash sale of $2,000 from one of his friends. He is certain that the tax authority will not know if the income is not reported and will not detect the income since there is no record about the cash sale. He notices that he will fall under a higher tax bracket if he declares the $2,000 cash sale. At the same time, he wants to renovate his shop and intends to use the $2,000 cash sale for that purpose. For that year, Adam omitted the $2,000 cash sale from his current year tax computation. If you are in a similar situation, what would you do?*

(a) Intention to comply with the tax law

The intention to comply with the tax law is operationalized as the dependent variable of this study. The intention to comply with the tax law in this study is captured related to the scenarios presented in this study and therefore are assumed to measure the same concept. As a result, the measures are expected to covary with one another and developed as reflective measures. For instance, in the above example, the measures for intention were used to capture whether or not the respondents would omit or include the cash sale in the tax computation. Three measures were developed to measure intention to comply in each scenario (see Appendix F).

(b) Attitudes

Attitudes are considered as the motivation to perform behaviour based on how respondents evaluate the favourableness and unfavourableness of performing behaviour. Three reflective measures were developed to examine the attitude of respondents with regard to the scenarios in the study. For instance, in the under declared income scenario, respondents were asked whether or not they feel good or bad if they omit the cash sale from the tax computation. The measures are presented in Appendix F.

(c) Subjective norms

Ajzen (1991) suggests that subjective norms account for the general perceptions of social pressure, whether or not to comply with the wishes of important others. In the case of tax compliance, prior studies suggest that there are possibilities for respondents to comply with the tax law based on the social pressure from people who are considered as important to them (Bobek & Hatfield, 2003; Buchan, 2005). To measure the latent construct, three reflective items were developed for each scenario, and these measures are expected to covary with one another, since they are measuring the same underlying concept. For instance, in the scenario above, respondents were requested to indicate their opinion on whether or not most people who are important to them agree or disagree if they omit the cash sale from the tax computation (see Appendix F).

(d) Perceived behavioural control

Perceived behavioural control in this study refers to the ability of respondents to have control in performing behaviour related to the scenarios. Three

reflective items were developed to measure perceived behavioural control of respondents in this study, which are expected to covary since they are measuring the same underlying concept. For instance, as presented in Appendix F, to determine the perceived behavioural control in the above scenario, respondents were asked to indicate their belief using a seven-point fully anchored scale on whether or not they have complete control to omit the $2,000 cash sale from the tax computation.

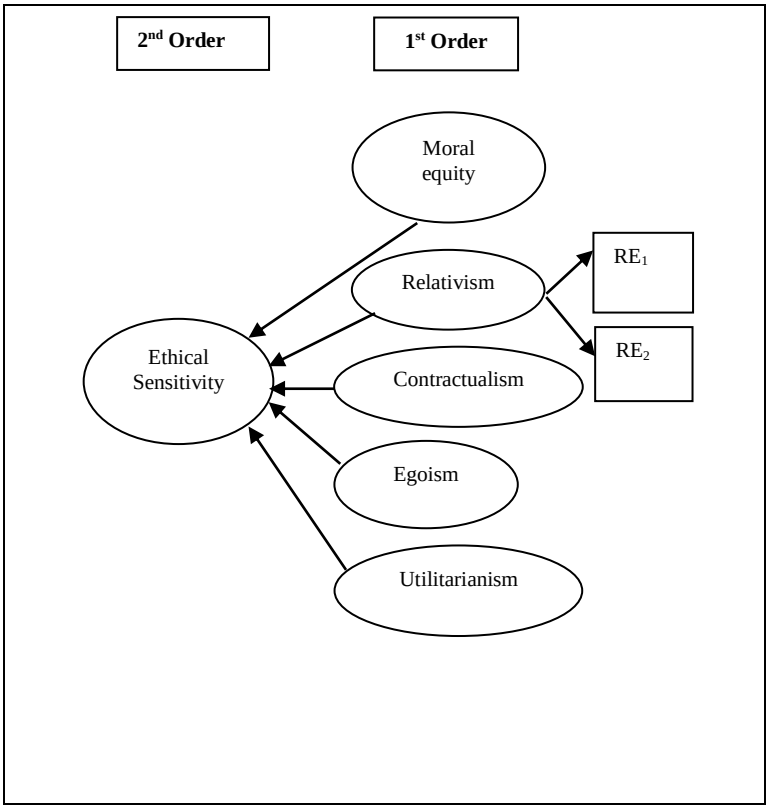
4.7.6.4 Ethical sensitivity

Ethical sensitivity refers to the ability to recognize moral issues before making any decision. Since in this study it is postulated that the respondents would rely on more than one dimension to make decision, the construct for ethical sensitivity in this study is operationalized as a second-order factor measured with twelve first-order items. The items were grouped into moral equity, relativism, contractualism, egoism, and utilitarianism. For each group, two items were developed to measure ethical sensitivity except for four items for moral equity dimension. In total, twelve items were developed to measure ethical sensitivity of respondents in the study which were adopted from Cruz et al (2000). All these measures were used to capture the ethical sensitivity of respondents related to the two tax scenarios, which were also used to capture the TPB elements.

All the measures for ethical sensitivity were defined using reflective measures. At the second-order level, the multidimensional of ethical sensitivity is measured using formative constructs since these constructs tap different underlying concepts. Respondents in the study were required to indicate their opinions on a seven-point fully anchored scale. For instance, relativism is measured on a seven-

point fully anchored scale of "traditionally acceptable or traditionally unacceptable" and "culturally acceptable or culturally unacceptable" (see Appendix F). The following Figure 4.6 depicts an example of the conceptualization of ethical sensitivity in this study at the first-order and second-order levels.

Figure 4.6 First and Second-Order Factor Model for ethical sensitivity



Key: RE_1 and RE_2 represent measures for relativism.

4.7.6.5 Culture

Another construct which is regarded as a second-order factor is culture. This is because culture in this study is measured using Hofstede's (1980) National Cultural Dimensions, which for each dimension has different underlying concepts for explaining culture. Therefore, Power Distance, Individualism-Collectivism, Masculinity-Femininity and Uncertainty Avoidance are conceptualized with

reflective measures. At the second level, all constructs are regarded as formative constructs in explaining culture.

Each construct is measured using four items related to Hofstede's (1980) National Cultural Dimensions. In total, sixteen items were developed to explain culture in complying with the tax law. All these measures were self-developed based on the attributes of National Cultural Dimensions posited by Hofstede (1980; 2001). Respondents were asked to indicate their level of agreement with the statement provided in the questionnaire on a seven-point scale of "strongly disagree" and "strongly agree". All items to measure culture are reproduced in Appendix F.

4.7.6.6 Demographic background information

Respondents were also asked to provide their demographic background information such as gender, age, ethnicity of respondents, respondents' experience as tax agent, type of firms, and positions. Respondents were requested to tick the appropriate box either as "male" or "female" to indicate their gender.

The age of respondents was divided into nine groupings: 25 years or below, 26 to 30 years old, 31 to 35 years old, 36 to 40 years old, 41 to 45 years old, 46 to 50 years old, 51 to 55 years old, 56 to 60 years old, and finally, over 60 years old. Ethnicity consists of three main ethnics in Malaysia, "Malay", "Chinese", "Indian", and "Others". If "Others" was selected then the respondents were asked to indicate further their ethnicity. In New Zealand, ethnicity consists of "New Zealand European", "Maori", "Pacific", "Asian" and "Others". Similar to Malaysian

respondents, if “Others” was selected then respondents were required to state further their ethnicity.

The years of experience as tax agents were grouped into “less than 5 years”, “5 to 10 years”, “11 to 20 years”, and “more than 20 years”. They were also requested to determine the type of firms they are currently working either in “Big Four public accounting firm”, “Medium size public accounting firm”, “Small size public accounting firm” and “Others”. If “Others” was chosen, then the respondents were requested to state their type of firm. Another question was on the position of the respondents in which they were required to state their position.

4.7.7 Data preparation and pre-analysis

This subsection discusses the pre-analysis performed for the quantitative part of the study. The discussions focused on data screening, response representativeness, nonresponse bias, common method bias, social desirability bias, descriptive analysis, and *t*-test analysis.

4.7.7.1 Data screening process

Before any further analyses could be performed, data from the questionnaire survey has to be coded, keyed in, examined for any missing data and outliers, as well as tested whether or not the data fulfil the statistical assumptions of the statistical test being used to analyse the data (Hair et al., 2010; Sekaran & Bougie, 2010).

The data from the mail survey was coded and keyed into the Statistical Package for the Social Sciences (SPSS) software manually. Thorough checking against the hardcopy of the survey was performed to ensure that no error occurred

during the data entry process. As for New Zealand, the Qualtrics Survey Software provides the option of retrieving the responses collected from the survey using SPSS format file. Therefore, the data was automatically entered into the system and coded accordingly. The existence of outliers in the data could be determined by examining the minimum and maximum values (Sekaran & Bougie, 2010) or scatterplot the data (Moore & McCabe, 2006).

Considering that self-reports are being used in this study and the issue of tax compliance could be deemed as a sensitive issue, there is a possibility that some responses are missing. Notwithstanding this situation, missing data is a common problem in undertaking research (Sekaran & Bougie, 2010), and there are some forms of remedies to solve the missing data problem discussed by Hair et al. (2010). Following the suggestion by Hair et al (2010), a case or a variable would be eliminated if the missing data accounted for more than 10 percent of that particular cases or variables. As a result, the remaining cases are considered to have less than 10 percent of missing data, and thus the missing data can be either ignored or any imputation methods to solve the missing data problem could be applied (Hair et al., 2010). A visual check on the data from Malaysia and New Zealand suggests that the missing data level is low and occurred in a random manner. The extent of missing data could also be examined using Missing Value Analysis test in SPSS.

The remedies for missing data vary from a conservative approach, such as accepting only complete datasets, to those which attempt to replicate the missing data using regression analysis. One method which is highly recommended by Hair et al. (2010) is a model-based method approach using Expectation Maximisation (EM), which is available in SPSS. The EM method is a two stage-iterative method,

which is suitable to be applied in random and non-random missing data and has the least bias. It will make the best estimate of the missing data and also estimate the parameter of the missing data (such as mean, standard deviation) assuming that the missing data is being replaced. Furthermore, the EM method could also handle small sample size of data (Hair et al., 2010).

4.7.7.2 Response representativeness

One method to test the representativeness of the sample is by comparing the respondents' profiles with certain types of demographic information of the population (Saunders et al., 2003). As for Malaysia, notwithstanding that the list of tax agents was developed from the Malaysian Inland Revenue Board (MIRB) website, there is no information available from the MIRB website or MIRB annual report on the demographic profiles of tax agents. Therefore, to test the representativeness of the sample in Malaysia, the researcher compared the gender and age of the respondents in the study with the demographic profiles of members of Malaysian Institute of Accountants (MIA) available in its 2012 Annual Report (Malaysian Institute of Accountants, 2012).[19] In New Zealand, to examine the representativeness of the sample, the researcher compared the gender, age, and ethnicity distribution of the survey respondents in this study with the demographic profiles of NZICA members (New Zealand Institute of Chartered Accountants, 2012).

[19] Despite the comparison made on a more general population of accountants in Malaysia, this practice is considered to be appropriate since, as explained earlier in subsection 1.3.1 of the Introduction Chapter, MIA is the body which governs the accounting profession in Malaysia. Therefore, its members may in a way represent the accounting professionals in Malaysia. The only demographic profiles available from the MIA's 2012 Annual Report are gender, age, and employment type. Due to this, comparisons could be made only on gender and age of the respondents.

4.7.7.3 Nonresponse bias

Nonresponse is a challenging issue in using survey as a data collection instrument since a high nonresponse rate could possibly result in bias in responses. Nonresponse bias occurs when there are members of the sample refuse to participate in the study, which could be due to a failure for them to be contacted, they are not in the position to answer the questionnaire, time constraints or for some other unknown reasons they refuse to cooperate (Bryman & Bell, 2011). Due to this nonresponse, there is a possibility that the opinions of those who respond to the survey are different from those who do not respond. With the existence of nonresponse bias, Sekaran and Bougie (2010) suggest that the findings should be generalized only to the respondents who participated in the study.

To examine the existence of nonresponse bias in this study, the researcher followed the approach by Armstrong and Overton (1977), using late respondents, those who participated after the reminders being sent, as substitutes for nonrespondents. The responses were later divided into "early respondents" and "late respondents", and the means of the responses were compared to check whether the means between the two is significant at $p \leq 0.05$ using independent *t*-test in SPSS. The independent *t*-test in SPSS provides two results, the Levene's test for equality of variance, and the *t*-test for equality of means. The Levene's test is used to determine whether or not there is equal variance between the two groups before deciding the appropriate *t* values in independent *t*-test. This can be done by checking the significance of *F* value at $p \leq 0.05$ in the Levene's test. The *t* value is then determined depending on whether there is equal variance between the two

groups or when the variance is not equal. Based on the *t* value, the significance of the means is determined at $p \leq 0.05$ (Gaur & Gaur, 2006; Field, 2009).

4.7.7.4 Common method bias

There are many reasons why common method bias could occur in behavioural type of research, as suggested by Podsakoff et al. (2003), who have provided an extensive summary of potential sources of common method bias. In general, the common method bias problem could arise as a result of using the same source to obtain responses and effect caused by the measurement itself such as ambiguity, repeated scale format, intermixing items or constructs in the questionnaire, and effect in the measurement as a result from where the context measures are obtained (Podsakoff et al., 2003). Since the data was obtained through self-reported survey, there is also a possibility for common method bias to exist in the responses (Podsakoff & Organ, 1986). This is despite the proactive steps taken by the author by following the suggestions from Podsakoff et al. (2003) and Conway and Lance (2010), such as assuring anonymity, emphasizing there are no right or wrong answers, counterbalancing the order of the questions, keeping the questions simple and precise, and also using different scale endpoints in the questionnaire.

Chin et al. (2012) outlined a list of post hoc statistical methods to detect common method bias, with one of the most commonly applied method being the Harmon's single factor test. Therefore, to assess the extent of common method bias in this study, the Harmon's single factor test was performed by forcing all indicators to load in a single factor (Podsakoff et al., 2003). The test is performed using principal component factor analysis in SPSS. There is a problem of common

method bias in the data if a single factor accounts for the majority of the variance or one factor accounts for the majority of the covariance in the independent and dependent variable (Podsakoff et al., 2003). The number of factors from the principal component factor analysis is determined based on factors with eigenvalues more than 1.0.

4.7.7.5 Social desirability bias

A common bias that exists in ethics-based studies and survey research is social desirability bias, which occurs when respondents have the tendency to portray favourable image by choosing answers in the questionnaire which perceived to be more socially desirable (Krosnick, 1999; McDonald, 2000; Bryman & Bell, 2011). For instance, people tend to respond that they voted in the most recent election even though they did not because voting is more socially admirable (Krosnick, 1999). Findings by Cohen et al. (1993) in an accounting context and Cruz et al. (2000) in taxation, which both applied MES to measure ethical behaviour, suggest the need to control for social desirability bias in ethics-based accounting studies. One way to test the existence of social desirability bias is to use the Marlowe-Crowne Social Desirability Scale (MCSD) developed by Crowne and Marlowe (1960), which has 33 questions using a True/False format.

Considering that tax agents are busy people and the researcher at the same time has to take into account the length of the questionnaire, instead of using the MCSD Scale, the researcher asked two questions adopted from Cohen et al. (1993), which were also replicated by Cruz et al. (2000), in a study involving tax agents' ethical judgment, to examine the existence of social desirability bias. In both hypothetical tax scenarios, respondents were asked to indicate the possibility that

their peers will perform the same action as described in the tax scenarios and the probability that they will take the same action as mentioned in the tax scenarios (see Appendix O). The responses to both questions were recorded using seven-point scales, fully anchored with a High/Low, with the higher score indicating low probability to perform the described behaviour. The mean responses in both questions were then compared using Paired *t*-test in SPSS to determine whether there is any significant difference at a *p* value of 0.05 between these two variables, 'Peero/Peeru' and 'Selfo/Selfu'.

4.7.7.6 Descriptive analysis

Descriptive analysis provides basic features on how tax agents in Malaysia and New Zealand understand culture, ethical sensitivity, and the TPB elements in tax compliance behaviour. In addition, the descriptive analysis also describes the demographic details of respondents in this study. In this descriptive analysis, the basic features are described using mean, standard deviation, minimum and maximum values for each item in the questionnaire survey. The frequency distribution is also provided where appropriate. All these analyses were performed using SPSS software version 18.

4.7.7.7 *t*-test analysis

The independent *t*-test analysis is performed to examine whether or not there is any significant difference in the overall perceptions of the Malaysian and New Zealand respondents in this study with regard to the TPB elements, ethical sensitivity, and culture items. The null hypothesis for this test suggests that both the Malaysian and New Zealand tax agents have similar perceptions on the TPB elements, ethical sensitivity items, and culture items, respectively. An independent

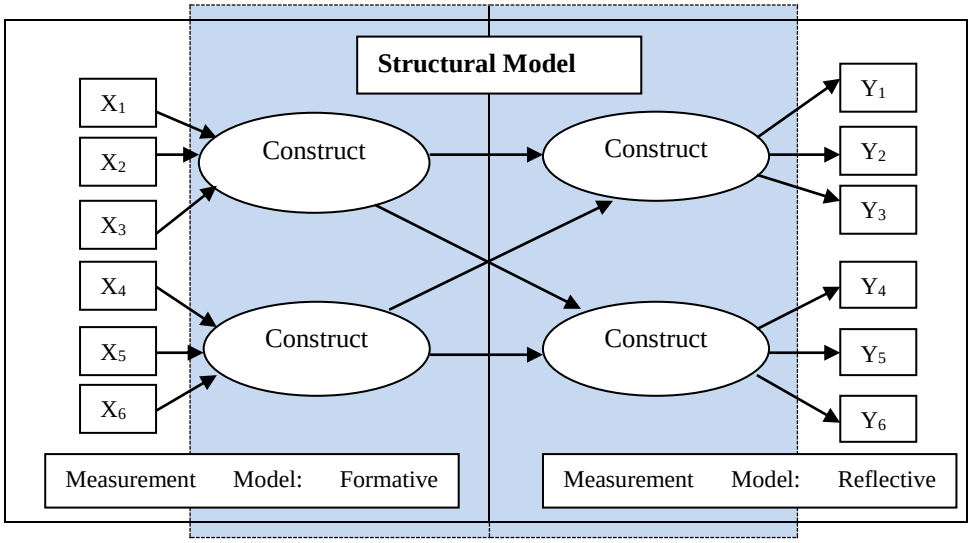
t-test is performed using SPSS software version 18 to generate *p* values similar to the test performed to examine nonresponse bias. Based on the Levene's test, the variance between the two means for the groups will determine whether or not there is equal variance before the appropriate *p* values are chosen. Based on the *p* values, the level of significance is determined whether or not there is any significant different between the two groups of respondents at $p \leq 0.05$. Using these *p* values, decision will be made whether to accept or reject the null hypothesis.

4.7.8 Introduction to SEM

The use of Structural Equation Modelling (SEM) has gained considerable support over the past decades in social science studies, for instance, in the areas of marketing and information systems (Urbach & Ahlemann, 2010; Hair et al., 2012; Ringle et al., 2012). This perhaps is due to the ability of SEM to test latent constructs or variables using a two-step approach simultaneously (Hair et al., 2012). The SEM is a second generation multivariate data analysis technique which permits measurement errors of the constructs to be analysed as part of the model and factor analysis to be combined with the hypotheses testing. Thus, unlike the first generation of statistical analysis, such as regression, which could only examine one layer of relationship between independent and dependent variables, SEM allows a set of interrelated questions to be examined in a single, systematic, and comprehensive analysis (Gefen et al., 2000). Furthermore, Hankins et al. (2000) suggest that SEM is a useful technique in studies incorporating TPB (such as this study), due to its ability to make explicit the implicit assumptions of unidimensionality constructs in TPB.

A SEM model consists of two interrelated models, the measurement or outer model, and structural or inner model (Urbach & Ahlemann, 2010). The testing of these two models involves a two-step approach as suggested by Anderson and Gerbing (1988). The structural model examines the relationship between independent latent variables, also known as exogenous variables in SEM, and dependent latent variables, also referred to as endogenous variables. For each latent variable, it has its own measurement model which examines the validity and reliability of the measures or indicators of that particular latent variable. A complete SEM model is depicted in Figure 4.7 below.

Figure 4.7 Structural Equation Modelling



Source: Adapted from Henseler (2010, p. 109).

There are two types of SEM analysis commonly used in social science research; the Covariance-based SEM (CBSEM), and Partial least squares (PLS), which have different underlying concepts (Gefen et al., 2011; Hair et al., 2012). Both SEM-based analyses are explained in the following subsections.

4.7.8.1 Covariance-based SEM and Partial least squares

(a) Covariance-based SEM

Covariance-based SEM (CBSEM), which is normally associated with the software employed to perform the analysis such as LISREL and AMOS, has the objective of proving that the operationalization of the theory being examined is corroborated and supported by the data which is parameter-oriented (Hair et al., 2010). Therefore, CBSEM aims to show that the null hypothesis is insignificant (Gefen et al., 2000). It requires a sound theory base and supports confirmatory research. In addition, CBSEM also requires normal distribution of data and only works with parametric assumption. There is also a strict requirement of the appropriate sample size in order to employ CBSEM and inadequate sample size may result in over rejecting models (Gefen et al., 2000). In addition to that, CBSEM only caters for reflective measures and does not allow measures to be developed formatively (Gefen et al., 2011).

(b) Partial least squares (PLS)

Partial least square (PLS) is the second major technique in SEM introduced by Wold (1985), which is designed to explain variance in data. It extends the principal component and canonical correlation analysis (Henseler et al., 2009) and has fewer requirements to be fulfilled compared to CBSEM. The PLS is considered to be "silver bullet" (Hair et al., 2011, p. 148) given its potential to explain causal relationship in theoretical models. The objective of PLS is to examine the significance of relationships indicated with high R^2 and has a similar concept underlying the linear regression analysis which is prediction-oriented. Unlike CBSEM, PLS does not require a sound theory base, and supports both exploratory

and confirmatory based research (Gefen et al., 2000; Gotz et al., 2010; Urbach & Ahlemann, 2010). PLS, which is considered as working on a soft data assumption, also allows relatively robust deviations from parametric assumptions which perform well with non-normal data distribution (Chin, 2010; Henseler, 2010). In addition, there is no strict requirement on the appropriate number of samples in PLS analysis and it works well even with a small number of samples (Hair et al., 2012) with several indicators (Henseler, 2010). Unlike CBSEM, PLS analysis could cater for both reflective and formative measures in the same model (Gefen et al., 2000, Gefen et al., 2011). The discussion on CBSEM and PLS are summarized in Table 4.4.

Table 4.4 Attributes of CBSEM and PLS

Criteria	CBSEM	PLS
Objective	Parameter-oriented	Prediction-oriented
Approach	Covariance-based	Variance-based
Assumption	Multivariate normal distribution (parametric)	Predictor specification (nonparametric)
Parameter estimates	Consistent	Consistency at large as indicators and sample size increases
Latent variable scores	Indeterminate	Explicitly estimated
Epistemic relationship between a latent variable and its measures	Typically only with reflective measures	Work with either formative or reflective mode
Implications	Optimal for parameter accuracy	Optimal for prediction accuracy
Model complexity	Small to moderate complexity (e.g., less than 100 indicators)	Large complexity (e.g., 100 constructs and 1,000 indicators)
Sample size	Minimal recommendations range from 200 to 800	Minimal recommendations range from 30 to 100 cases

Source: Chin and Newsted (1999, pp. 307-341).

4.7.8.2 Justifications for using PLS in this study

The above discussions provide some basis to justify the use of PLS in this study. First, PLS is more appropriate considering this study is prediction-oriented, which is to predict the tax compliance behaviour of tax agents by extending the Theory of Planned Behaviour (TPB) with two other additional factors, ethical sensitivity and culture. Second, PLS has soft data distribution assumption which does not restrict on parametric assumption, thus provides more option for data analysis. Third, prior studies indicate the small number of sample size in tax studies involving tax agents. Since PLS could allow for a small to moderate number of samples, thus it is more suitable considering that PLS enables analysis to be performed irrespective of the number of samples available. Finally, measures and constructs in this study were developed in both formative and reflective way. In the case of PLS, it could cater for both while CBSEM only works with reflective measures. Consequently, it is more appropriate to use PLS compared to CBSEM. The study used SmartPLS 2.0 (M3) Beta software developed by Ringle et al. (2005) to perform the PLS analysis.

4.7.8.3 Model evaluation

A SEM model comprises measurement and structural models which are interrelated. A confirmatory technique is used to validate the measures for each individual latent construct at the measurement model level while the structural model evaluates the relationships among the latent constructs at the theoretical level. The model evaluation for both measurement model and structural model is further discussed as follows.

(a) Evaluation of the measurement model

The measurement model evaluates the association between measures and latent constructs. In the measurement model the validity and reliability of measures in each construct are determined before testing the relationships of constructs at the structural level. A measurement model could consist of reflective measures, formative measures or a combination of both reflective and formative measures (Gotz et al., 2010). Depending on the mode of the measures being used in the measurement model, either as reflective or formative, the validity and reliability of the measurement model is determined differently. A reflective construct, for instance, inherits the classical test theory which incorporates measurement error in each measure or indicator of the measurement model (Henseler et al., 2009). On the other hand, a formative construct consists of independent measures which form the construct, and thus measurement error is only included at the construct level (Howell & Breivik, 2007).

(i) *Construct reliability*

Construct reliability tests the consistency of the measures which directly assess the level of measurement error (Noar, 2003). A reflective measure is tested using the classical test theory[20] and factor analysis, which expect a high degree of internal reliability (Jarvis et al., 2003). In a reflective construct, two techniques are used to determine reliability at the individual measure level and construct level. The individual measure is assessed based on its factor loading to determine its reliability, and the overall internal consistency of the construct can be observed

[20] A classical test theory is concerned with examining the observed variances or covariances of measures (Jarvis et al., 2003).

using composite reliability which estimates the inter-correlations among measures (Henseler et al., 2009; Gotz et al., 2010; Hair et al., 2012).

Since the reliability of each measure varies, the factor loading of a reflective measure indicates the level of variance explained by the construct. There is no absolute threshold for factor loadings in a PLS model. Hair et al. (2010), for instance, suggests a cut-off loading of 0.50 while the common acceptable threshold is 0.70, which suggests that more than 50 percent of the variance (based on the squared standardized outer loadings) in a measure is explained by the construct (Gotz et al., 2010; Hair et al., 2012). In research involving newly developed measures such as in this study, loadings of 0.40 are acceptable and a measure which has factor loading smaller than 0.40 should be eliminated (Hair et al., 2012). Henseler et al. (2009), however, provide a different point of view in eliminating a reflective measure in a PLS model. In their view, a reflective measure should only be discarded from the model if the loading is low and eliminating the reflective measure increases the overall internal consistency of the construct. This is because while a single-item measure is allowed in PLS, it is performed with caution since the use of a single indicator may have the tendency to overestimate the measurement model and underestimate the structural model (Diamantopoulos et al., 2012; Ringle et al., 2012).

The composite reliability which evaluates the overall internal consistency of a construct and interpreted similar to Cronbach's alpha, is used to assess the construct reliability in a PLS model (Gotz et al., 2010; Hair et al, 2012). Compared to Cronbach's alpha which uses equal weighting for all measures, the composite reliability is favoured in explaining the construct reliability in a PLS model, since

composite reliability does not assume equivalence across measures (Chin, 2010), and thus considers the possibility that factor loadings for measures are varied (Henseler et al., 2009). The composite reliability which is available from the PLS analysis is defined using the following formula:

$$\rho_c = \frac{(\Sigma\lambda_i)^2 \ \text{var}\, F}{(\Sigma\lambda_i)^2 \,\text{var}\, F \ + \Sigma\Theta_{ii}}$$

The λ_i represents the loading of measure i while F indicates the factor variance and Θ_{ii} refers to measurement error of measure i.

The value of composite reliability varies between 0 to 1 and a value larger than 0.60 is considered as acceptable (Gotz et al., 2010). Fornell and Larcker (1981), for instance, suggest a higher composite value which is above 0.70 for a construct to be included in the model. Henseler et al. (2009) and Hair et al. (2012) both argue that a composite value below 0.60 portrays lack of reliability but acceptable in exploratory research.

Unlike reflective measures, which are concerned with the level of unidimensionality, formative measures are considered to be multidimensional and each measure represents a different underlying concept to the construct (Chin, 2010). Therefore, the reliability of formative measure is considered not important but a more appropriate technique is to ensure the formative measures meet the validity assumptions.

(ii) *Construct validity*

Construct validity evaluates whether or not a measure represents the concept that it is supposed to measure (Noar, 2003). To test the validity of the reflective constructs, PLS applies the confirmatory factor analysis (CFA) technique which could confirm the strength of the measures by observing the convergent validity and discriminant validity of the constructs. The convergent validity test examines whether or not a set of indicators measures the same concept (unidimensionality) and can be observed using the average variance extracted (AVE) of the construct (Henseler et al., 2009). Statistically, the AVE is defined using the following formula:

$$AVE = \frac{(\Sigma \lambda_i)^2 \ \text{var}\, F}{(\Sigma \lambda_i)^2 \ \text{var}\, F + \Sigma \Theta_{ii}}$$

where λ_i represents the loading of measure i while F indicates the factor variance and Θ_{ii} refers to measurement error of measure i.

The value of AVE should be at least 0.50 to be considered as sufficient in explaining more than half of the variance of a construct's measures (Fornell & Larcker, 1981; Henseler et al., 2009; Hair et al., 2012), whereas a value less than 0.50 indicates that the variance is related more with error variance rather than variance of the measures (Gotz et al., 2010).

The discriminant validity test examines whether or not items differentiate among constructs or measure different concepts. There are two ways to determine discriminant validity in PLS, based on items cross-loadings and Fornell-Larcker

criterion (Henseler et al., 2009). The item cross-loadings approach tests the existence of discriminant validity at the item level, suggesting that the loading for each measure should be higher compared to all its cross-loadings (Gotz, et al., 2010). While the commonly accepted threshold for items loadings is 0.70 (Gotz et al., 2010), Hair et al. (2010) accept a cut-off value of 0.50 and Chin (2010) also acknowledges that in exploratory studies, a factor loading of 0.50 is acceptable. In a more recent study, Hair et al. (2012) suggest that loadings of 0.40 are acceptable in studies involving newly developed measures such as in this study.

Unlike the item cross-loadings test which is more liberal, the Fornell-Larcker criterion test developed by Fornell and Larcker (1981) is regarded more systematic (Henseler et al., 2009; Chin, 2010). The Fornell-Larcker test proposes that the square root of the AVE for each construct should be greater than its correlations with other construct to achieve discriminant validity. This is to indicate that a construct shares more variance with its measures rather than with other constructs.

To test the validity of formative construct in PLS analysis, the weights and the significance of the formative indicators are observed. Based on *t*-statistics and level of significance (*p* values) from the bootstrapping procedure as well as the PLS weights (Henseler et al., 2009), decisions will be made whether to retain or drop a measure from the model. This procedure enables the relevance of each measure in forming the construct to be assessed (Hair et al., 2012).

Formative measures could contain positive, negative or no correlations, and normally is smaller than factor loadings (Gotz et al., 2010). For formative

measures, Diamantopoulos and Winklhofer (2001) suggest that any non-significant indicator should be eliminated to obtain a better significance path. Bollen and Lennox (1991) and Henseler et al. (2009), however, suggest retaining both significant and non-significant indicator to maintain the content validity of the formative constructs as long as its existence is conceptually justified. This means that formative indicators with small weights and non-significant paths should not simply be eliminated. The decision to eliminate a formative measure has to take into account its contribution to the construct since eliminating a measure could possibly change the meaning of the construct (Cenfetelli & Bassellier, 2009). Unless multicollinearity apparently exists, then the measure is recommended to be eliminated from the model (Gotz et al., 2010). This is because a high level of multicollinearity suggests redundancy (Henseler et al., 2009).

The level of multicollinearity among the formative indicators could be examined by calculating the variance inflation factor (VIF), the condition index for each indicator (Hair et al., 2012) and the tolerance value (Hair et al., 2013). The lower VIF values suggest less multicollinearity among the indicators. Prior studies suggest cut-off values for VIF should not exceed 3.3 (Diamantopoulos & Siguaw, 2006), 5.0 (Hair et al., 2012) and 10 (Hair et al., 2010; Gefen et al., 2011). However, any VIF value more than 1 indicates the existence of multicollinearity even though it is not substantial (Henseler et al., 2009). The value for condition index, as suggested by Diamantopoulos and Siguaw (2006) and Hair et al. (2012), should not exceed 30 to ensure there is no multicollinearity in the model. A tolerance value of 0.20 and lower indicate the possibility of multicollinearity (Hair et al., 2013).

(b) Evaluation of the structural model

Once the measurement model has been successfully evaluated, the evaluations of structural model in PLS could be performed based on *R*-squares and path coefficient. In addition, to determine the statistical significance of the path coefficient in the structural model, a resampling technique needs to be used. The analyses are further discussed below.

(i) R-squares

The primary analysis to test the structural model is by observing the value of *R*-squares, which indicate the coefficient of determination. The *R*-squares measure the relationship of the construct's variance with its total variance and are interpreted similar to ordinary least squares regression (Chin, 2010). There is no threshold level for an acceptable *R*-square since it depends on the research context (Hair et al., 2012). However, the higher *R*-squares are the better since they explain a higher percentage of variance (Gotz et al., 2010). It is also commonly accepted that the value of 0.60 is considered as substantial while 0.30 is regarded as moderate and value around 0.19 indicates weak relationship (Henseler et al., 2009; Urbach & Ahlemann, 2010).

(ii) Effect size

Additionally, the *R*-squares are also useful in examining the impact of an independent latent variable on a dependent latent variable, known as the effect size, signified by f^2. The effect size is determined by performing the calculation of the dependent variable's coefficient in the structural model twice, first with the respective independent latent variable, and second without that particular

independent latent variable. Similar to the interpretation of multiple regressions promoted by Cohen (1988), f^2 of 0.02, 0.15 and 0.35 suggests weak, moderate, and strong effects (Henseler et al., 2009; Chin, 2010; Gotz et al., 2010; Hair et al., 2012). The effect size formula is defined as follows:

$$f^2 = \frac{R^2_{included} - R^2_{excluded}}{1 - R^2_{included}}$$

(iii) Path coefficient

The next step is to examine the path coefficient of the relationship between constructs. In this case, the algebraic signs, magnitude, and significance of the path coefficient are observed. Paths which signs are contrary to the theoretical assumptions are considered as not supporting the postulated hypotheses and should be rejected. To assess the significance of the path coefficient, Henseler et al. (2009) and Hair et al. (2012) suggest using the bootstrapping technique which provides *t* values and *p* values. The magnitude of the path coefficient indicates the strength of the relationship which should be at least 0.10 and the level of significance should be at least 0.50 (Urbach & Ahlemann, 2010).

(iv) Bootstrapping

Since PLS does not assume normality data distribution, it relies on nonparametric resampling technique in its evaluations. There are two methods to conduct this resampling in PLS, bootstrapping and jack-knifing (Hair et al., 2012). The jack-knife procedure which is perceived as an approximation to bootstrapping, however, has been applied less in recent years most likely because it is viewed as less competent compared to bootstrapping (Chin, 2010). To examine the

significance level in PLS, the study performed the bootstrapping technique which generates the *t* values and confidence intervals. The bootstrapping technique assumes that the observed sample represents the population and creates bootstrap samples by randomly replacing the cases from the original dataset. Each bootstrap samples contains the same number of cases as in the original sample (Henseler et al., 2009). In this study, a resampling with 5000 samples is used consistent with the suggestions by Henseler et al. (2009) and Hair et al. (2011; 2012).

4.8 Interview

A qualitative enquiry such as interview could be used to understand patterns of experience in lives (Dilley, 2000) since the perspective of others could be meaningful and able to be made explicit (Patton, 1990). Due to this, researchers conduct interview to understand "what is in and on someone else's mind" (Patton, 1990, p. 278). The interviews in this study are conducted to provide more information on the factors that influence tax agents in their decision-making while performing their engagement roles. Furthermore, as mentioned in Section 4.2, the use of interviews in this study for data collection reflects the emic (inside perspective) approach in understanding the tax compliance behaviour of tax agents in Malaysia and New Zealand. In the emic approach, researchers use a specific culture to understand the issue being examined and researchers normally used ethnography, interview, and observation to collect data because the nature of *emic* dimensions is cultural specific (Malhotra et al., 1996).

One of the criticisms of using Hofstede's (1980) National Cultural Dimensions is that survey is not appropriate to be used in examining culture (Baskerville, 2005). In view of the foregoing, the use of interviews in this study

could complement the weaknesses of using a survey in understanding the influence of culture in tax compliance behaviour of tax agents since the survey itself, as suggested by Feilzer (2010), may only provide a glimpse of the social phenomena without providing in-depth understanding of which the interview could offer.

Lincoln and Guba (1985) differentiate interviews into two types: structured interviews and unstructured or specialized interviews. In a structured interview, researchers prepare the questions prior to the interview and participants are expected to provide answers according to the framework prepared by the researcher. On the other hand, an unstructured interview depends on the participants' responses during the interview to guide the direction of the interview. Saunders et al. (2003) suggest three different categories: structured, semi-structured and unstructured or in-depth interviews, while Bryman and Bell (2011) broadly grouped interviews into two types: structured interviews and qualitative interviews, (with the latter is formed from semi-structured and unstructured interviews). Structured interviews use a questionnaire with questions and standard answers determined *a priori* (Saunders et al., 2003; Bryman & Bell, 2011). Similar to Saunders et al. (2003) explanation of the features of semi-structured and unstructured interviews, a qualitative interview is considered to be nonstandardized (Bryman & Bell, 2011).

The different types of interview serve different purposes of studies. According to Saunders et al. (2003), a structured interview is more appropriate for a descriptive or explanatory based study while a semi-structured interview is more suitable for exploratory and explanatory based studies. The unstructured or in-depth interview is more useful for studies which are exploratory in nature

(Saunders et al., 2003). In this study, the researcher used the semi-structured interview and the justifications for using semi-structured interview are further discussed in Section 4.8.1.

4.8.1 Justifications for using semistructured telephone interview

A semi-structured interview is the most common approach of all qualitative methods (Alvesson & Deetz, 2000). This is probably due to its flexibility (Bryman & Bell, 2011), since although the researcher has a list of questions and themes to be covered, these may vary from one interview to the other (Saunders et al., 2003). A semi-structured interview also has the ability to disclose important aspects of human behaviour (Qu & Dumay, 2011) because a semi-structured interview could reveal not only the 'what' and 'how' but also the 'why' (Saunders et al., 2003). Consequently, the researcher chose the semi-structured interview to explain further the factors that have been examined in the questionnaire survey. At the same time, the semi-structured interview was also used to discover if there were any other factors that may influence tax agents in their decision-making while performing their engagement roles.

Interviews could be conducted in the form of a focus group or one to one, which for the latter, researchers could either perform this as a face-to-face interview or by telephone (Saunders et al., 2003). Despite some drawbacks of using telephone interviews, such as missing the opportunity to witness the nonverbal reactions (body language) of the interview participants which could be important in interpreting the findings (Bryman & Bell, 2011), and the limited time to conduct the telephone interview resulting in less participation and lack of an opportunity to

ask complex questions (Saunders et al., 2003), the use of telephone interview in this study is considered to be appropriate.

This study examines the ethical decision-making of tax agents in complying with the tax laws while performing their engagement roles, which could be considered to be sensitive and involves tax agents who are located in different parts of Malaysia and New Zealand. Therefore, it is impractical to conduct face-to-face interviews due to the scattered distance, time involved and cost constraints. It is also cost and time effective to use the telephone in conducting the interview since tax agents are normally busy people. Furthermore, Bryman and Bell (2011) suggest that a telephone interview is more effective in encouraging participation during interviews especially if the interviews involve sensitive issues. Qu and Dumay (2011) also recommend that it is not appropriate to use, for instance, a focus group to study sensitive issues.

4.8.2 Development of interview guide

To assist the researcher during the interview process, the researcher prepared an interview guide, consisting of a list of questions based on several themes relevant to the study. Even though the themes are determined *a priori* based on the literature review, the nature of a semi-structured interview which is flexible (Bryman & Bell, 2011) allows some freedom for other themes to emerge during the interview. This helps to understand further the tax compliance behaviour of tax agents in the study.

Compared to structured interview, the lack of standardization in semi-structured interviews could become a disadvantage as well since it could result into lack of reliability in its findings (Saunders et al., 2003). The use of an interview

guide could be helpful in reducing the reliability issues since the interview guide helps the researcher to ensure that the interviews are more systematic and focused on within a subject area (Patton, 1990). In this study, the use of the interview guide as the "guide to the journey" (Dilley, 2000, p. 133) also helps the researcher to carefully manage the limited time and resources (Patton, 1990).

The interview guide used in this study covers the importance of the Theory of Planned Behaviour (TPB) items, ethics, and culture in complying with the tax law from the viewpoints of tax agents. While these factors have been examined in the survey, the viewpoints of tax agents participated in the interview provide further understanding on the influence of these factors in their decision-making while performing their roles. In developing the interview guide, the researcher also obtained suggestions from accounting academics who are expert in qualitative research, and as a result some changes have been made to the wording of the questions.[21] The interview guide for the study is presented in Appendix G of this thesis.

4.8.3 Sample selection for interview

Sampling in qualitative inquiry is different from the quantitative approach since qualitative inquiry emphasizes on obtaining rich information, while quantitative approach concerns more with generalization in understanding social phenomena. While Patton (1990) suggests 16 strategies in selecting samples for qualitative inquiry, sampling in qualitative studies could be broadly regarded as purposeful sampling (Patton, 1990; Coyne, 1997). This is because a researcher

[21] The initial draft of the interview guide was presented during the proposal defence at the Department of Accounting and Information Systems, University of Canterbury.

purposely selects information-rich cases which could fit into the study (Coyne, 1997).

As discussed in Section 4.6, in selecting the sample for the qualitative phase in this study, the researcher also has to take into account that the findings from the qualitative phase are used to provide in-depth understanding of the factors that influence tax agents in their decision-making while performing their engagement roles. For that reason, the interview participants in this study were identified from the survey conducted by the researcher in the quantitative phase of this study. The interview participants came from those survey respondents who agreed to be involved in the interview. This type of sampling could be considered as self-selection sampling as explained by Saunders et al. (2003, p. 177) since the researcher allows individual "to identify their desire to take part in the research". Invitations to participate in the interview were sent together with the survey to potential survey respondents in Malaysia and New Zealand.

4.8.4 Sample size for interview

The process to understand social phenomena in quantitative and qualitative methods have different approaches. While a quantitative method focuses on numbers to derive meanings, a qualitative method on the other hand emphasizes the richness of information or words to develop meanings in understanding social phenomena (Saunders et al., 2003). This is because under the qualitative method, the purpose is to obtain contextual understanding of a particular situation which requires rich data and depth understanding, and as a result the issue of representativeness in qualitative methods is less important compared to quantitative

methods (Bryman & Bell, 2011).The concept of emphasizing words rather than numbers guides the researcher in this study to determine the appropriate sample size for the qualitative approach performed in this study.

In determining the appropriate sample size in qualitative inquiry, Patton (1990, p.184) argues that:

> *"There are no rules for sample size in qualitative inquiry. Sample size depends on what you want to know, the purpose of the inquiry, what's at stake, what will be useful, what will have credibility, and what can be done with available time and resources."*

Patton's (1990) argument implies that there is no specific guideline to determine sample size in qualitative studies and several factors such as richness of information, available time and resources, guide researchers in deciding the appropriate sample size. One approach suggested by Lincoln and Guba (1985, p. 202), in determining the appropriate sample size in a qualitative study, is to rely on the concept of redundancy or data saturation effect as a rule: "Finally, the criterion invoked to determine when to stop sampling is informational redundancy…"

However, Guest et al. (2006) argue that the concept of the data saturation effect is difficult to be applied prior to data collection, and instead suggest that for an interview, the minimum sample is 12 participants. If the sample is highly homogenous, a sample of 6 interviews would be sufficient to enable a meaningful theme to appear (Guest et al., 2006). While Collins et al. (2007) suggest that the appropriate number of participants in qualitative-based studies depends on expert

opinion they also provide a summary on the recommended minimum number of sample size for most common qualitative studies reproduced as follows:

Table 4.5 Recommended Minimum Sample Size for Most Common Qualitative Research Design

Research design	Minimum sample size suggestion
Case study	3-5 participants (Creswell, 2002)
Phenomenological	10 interviews (Creswell, 1998), 6 interviews (Morse, 1994)
Grounded theory	15-20 participants (Creswell, 2002), 20-30 participants (Creswell, 1998)

Source: Adapted from Collins et al. (2007, p. 273).

In this study, the sampling procedure for the interview is based on self-identified sampling. Therefore, the sample size relies heavily on the willingness of survey respondents to participate in subsequent interviews while at the same time considering the time and resources available.

4.8.5 Data collection procedure

Following the different modes of collecting survey data in Malaysia and New Zealand, as discussed in Section 4.7.4, this study used two different methods of sending invitation to participate in the semi-structured telephone interview. The researcher sent the invitation to participate in interviews with the mail survey questionnaire in Malaysia and online web-based survey in New Zealand.

In Malaysia, the researcher mailed the invitation to participate in the interview and the consent form, together with the questionnaire survey and two self-addressed stamped envelopes to ensure that there was no association between the respondents in the survey and the interview participants. As mentioned in

Section 4.7.4.1, the researcher also attached a cover letter explaining the purpose of the study, confirming the anonymity of the responses of the survey, ensuring the confidentiality of the interview data and confirming that the relevant ethics clearance has been obtained, with the survey package. In the consent form (available in Appendix H), the author also requested the interested participants to provide their correspondence details.

As discussed in Section 4.7.4.2, an online web-based survey was used to collect quantitative data in New Zealand. In the introduction email to potential survey respondents, apart from the survey link, another link inviting participation in interviews was also included. The separate link was to ensure that the information provided in the interview link could not be associated in any manner with the responses in the earlier survey. The author briefly explained the procedure for the interview, confidentiality of the interview information, confirmed the relevant ethical clearance, requested their consent to perform the interview, and required interested participants to provide their contact details.

As stated earlier, the potential interview participants in Malaysia and New Zealand were required to provide their correspondence details, such as name, contact number, email address, date, and time they would be available for the interview. A few days before the interviews, the researcher made follow-up telephone calls requesting the tax agents to confirm their participation. Since tax agents are busy people, this approach allows the interview participants to determine their own availability, and could avoid bias in responses between those who are busy and less busy, since participating in an interview is time consuming (Saunders et al., 2003).

The interviews were conducted between November 2011 and January 2012 in Malaysia. Since the researcher felt that the initial interview participants in New Zealand (n = 6) were not sufficient to provide in-depth understanding of tax agents' compliance behaviour in New Zealand, the telephone interviews in New Zealand were extended to February 2012 after sending the survey reminder for the second time. On average each participant in this study was interviewed for approximately 30 to 45 minutes. In Malaysia, the interview was conducted using a mix of Bahasa Malaysia and English. This was because, as mentioned in Section 4.7.4.1, while Bahasa Malaysia is the official language in Malaysia, English is commonly used in commerce (Foo & Richards, 2004).

Before the start of the interview, the researcher briefly explained to the interview participants about the objective of the study, interview process, and asked for their consent to record the interview. The interview was recorded using an audiotape and this allowed the researcher to concentrate on the questioning and listening during the interview (Saunders et al., 2003). The recordings of the interviews also provide opportunities for a more thorough examination on the information which could lead to more accurate findings (Bryman & Bell, 2011).

4.8.6 Data analysis

A few approaches have been suggested by researchers to analyse qualitative data. Lincoln and Guba (1985), for instance, propose the concepts of unitizing, categorizing, finding patterns, and member checking. Unitizing refers to finding units of information that can be used to form categories. A unit of information has two features: it could provide some understanding to what the researcher wants to

know and is interpretable on its own. The second step, categorizing, involves reviewing all the units and put them into the appropriate categories. It is in this second step that new themes or categories emerge. In this second step, researchers name the categories which form the content of the category. The next step is finding the patterns of the categories by ensuring that the categories are not overlapping, checking if there is any association between the categories, and review the entire category to ensure nothing has been omitted. Finally, the member checking procedure requires interview participants to check the construction of the interview information and agree that the analysis reflects their actual interview answers.

Saunders et al. (2003) suggest that data analysis in qualitative methods could broadly follow the deductive or inductive approaches. However, they also argue that it is possible to combine both methods in analysing qualitative data. The deductive approach starts with designing the questions according to a predetermined theory and thus the theme for the interview emerges from the interview questions. On the other hand, in an inductive approach, the researcher collects the data, analyses it and at the same time examines which themes will be focused on further. In the inductive approach there is no theory developed prior to the data collection; instead, the theory emerges from the data collection process (Saunders et al., 2003).

Another approach to analyse qualitative data is by using thematic analysis. According to Braun and Clarke (2006), thematic analysis is the foundation method for qualitative analysis which involves finding repeated patterns of meaning from data. It is a method to identify, analyse, and report the patterns in data. Despite the

argument that thematic analysis is perceived as accepting any themes emerge from the data, thematic analysis is still considered to be essential due to its flexibility, ease to apply, ability to capture similarities and differences across the data set, and ability to generate unanticipated insights (Braun & Clarke, 2006). The six phases of thematic analysis as suggested by Braun and Clarke (2006) are summarized in Table 4.6.

Table 4.6 Phases in Thematic Analysis

	Phases	Process
1	Familiarizing with the data	Transcribing the data (if necessary)
2	Generating initial codes	Coding systematically interesting features of the data
3	Searching for themes	Collating codes into potential themes
4	Reviewing themes	Checking if the themes represent the data at level 1 and level 2
5	Defining and naming themes	Refine the specific themes, the overall account of the data, generating clear definitions and names for each theme
6	Producing the report	Relating back the analysis with the research questions and the literature, producing report

Source: Adapted from Braun and Clarke (2006, p.87).

The discussion on qualitative data analysis suggests that there are similar steps which have to be performed in analysing qualitative data. In this study, the researcher used a combination of deductive and inductive approaches in analysing the data to provide better understanding on the factors that influence tax agents in their decision-making. While in the deductive approach the themes are determined based on the questions asked, the inductive approach, on the other hand, allows themes to emerge from the data itself. The use of deductive and inductive approach

as the foundation is aligned with the purpose of conducting semi-structured interviews, which was discussed earlier. In addition, the researcher also referred to the steps suggested by Lincoln and Guba (1985) and Braun and Clarke (2006) in analysing the data which, in the opinion of the researcher have some similarities.

Essentially, there were three main steps involved in analysing the interview data for the study. Firstly, the researcher transcribed the recording into written text. The process of transcribing interview recordings is the first step in data analysis and it is important because it reflects how the researcher interprets the data (Bailey, 2008). On average it took approximately 4 hours for the researcher to transcribe the recording of each interview. This amount of time was required, since as suggested by Bailey (2008), transcription involves close observation of the data by repeated careful listening to the audiotape. As the interview in Malaysia was conducted in a mixed language of Bahasa Malaysia and English, after transcribing the recording for the Malaysian sample, the researcher translated the raw transcript into a full English text before further analysis.

The second phase was the process of coding the data (Braun & Clarke, 2006) or 'unitizing' as suggested by Lincoln and Guba (1985). Once the coding process has been completed, the researcher put the codes into the respective themes. Some of the themes were determined *a priori* based on questions asked during the interviews; however, some new themes also emerge from the interview responses. The themes of the interview will be discussed further in Chapter 7 containing Interview Findings Apart from finding the themes, in this second step the researcher also assigns names to the themes and checks for theme consistency so that the names of the themes reflect their content and there is no overlapping of

codes in the themes. Finally, to increase the validity of the findings, the final stage involved the member checking procedure as suggested by Lincoln and Guba (1985), Creswell and Miller (2000), and Creswell (2009).

4.8.6.1 Reliability and validity of interview findings

In qualitative methods, reliability and validity have different concepts compared to reliability and validity in quantitative methods. Reliability in qualitative methods does not suggest findings will be repeatable since the findings reflect the reality at the time when the interviews are performed (Saunders et al., 2003). Following the suggestions by Saunders et al. (2003), Braun and Clarke (2006), and Creswell (2009), to increase the reliability of the interview findings, the researcher transcribed the recording, repeatedly checked the transcript, and compared the transcript against the recording to ensure there was no obvious mistake.

Validity in qualitative research is defined as how accurate and reliable the data represent the realities of the interview participants in understanding the social phenomena (Creswell & Miller, 2000; Le Compte, 2000). One common method to determine the validity in a qualitative study is to use the member checking procedure (Lincoln & Guba, 1985; Creswell & Miller, 2000; Creswell, 2009). The member checking procedure is considered to establish the validity of qualitative findings using the lens of the participants (Creswell & Miller, 2000). It is among the eight primary procedures frequently used to determine validity in a qualitative study (Creswell, 2009). The member checking procedure involves requesting interview participants to confirm the credibility of the information by asking the participants to check whether the themes are correct and the overall information is

accurate (Creswell & Miller, 2000).[22] In this study, five interview participants checked the refined interview transcripts and the themes identified in determining the validity of the findings. All of them agreed with the themes proposed in the study.

4.9 Summary

The discussions in this chapter started with the research paradigm used in this study, followed by the emic and etic approaches in cross-cultural research, motivation for using mixed-methods approach, design of the study, and ethical clearance. The sample selection in mixed-method study was also highlighted before moving to the discussions on the quantitative and qualitative methods used in the study.

The discussions on quantitative methods initially were centred on the justification of using survey. Sample selection and sample size for the survey, pilot testing, procedure to collect data, the design of the questionnaire were also highlighted for both Malaysia and New Zealand. The discussions proceeded with construct development and measurement (reflective, formative, second order factor, measures for variables tested in the study) for both countries. The researcher also explained the procedures for data preparation and pre-analysis, namely the data screening process, tests for response representativeness, nonresponse bias, common method bias, social desirability bias, and descriptive analysis. The discussions were then concentrated on structural equation modelling (SEM) applied in the study, explaining the types of SEM modelling and model evaluations, both at

[22] According to Creswell (2009), it is sufficient to provide the participants with the preliminary analysis consisting of themes of interview findings in member checking procedure.

the measurement of the first-order factor and second-order factor, and structural models.

In this chapter, discussions on the qualitative approach (interview) were also presented by first explaining the types of interviews and followed by justifications for using semi-structured telephone interview. The development of interview guide, sampling and sample size for interviews, and procedures to collect interview data for both Malaysia and New Zealand were also discussed. In addition, the researcher also highlighted the data analysis process for the interview data, namely transcribing, coding, finding themes and checking for reliability and validity of the findings. The next chapter, Preliminary Analysis and Results presents the preliminary findings from the survey for both Malaysia and New Zealand.

CHAPTER 5

PRELIMINARY ANALYSIS AND RESULTS

5.0 Introduction

This chapter presents the preliminary results from the survey analysis before performing the model assessment analyses as set out in Chapter 6. The chapter is divided into two main parts: the survey response analysis, and preliminary analysis. The discussions in the survey analysis part focus on the response rate, demographic background of survey respondents, response representativeness and nonresponse bias for both Malaysia and New Zealand. In the preliminary analysis, the explanations centre on the data screening process, common method bias results, findings from the social desirability bias analysis, descriptive analysis and finally, the results from the *t*-test analysis. The chapter ends with a summary.

5.1 Survey response analysis

The survey response analysis discusses the response rate for both Malaysia and New Zealand, demographic profiles of survey respondents in Malaysia and New Zealand, response representativeness in both countries and non-response bias analysis.

5.1.1 Response rate

In any survey studies, the survey response rate is important for the generalisation of the findings to the whole population (Sekaran and Bougie, 2010). Ideally, a high response rate is required to generalise the findings since a low

response rate suggests that the findings need to be generalized with great caution (Saunders et al., 2003). In the case of a low response rate, another approach is to generalise the findings to the observed samples participated in the study rather than generalise the findings to the whole population (Sekaran, 2002). The survey response rates for Malaysia and New Zealand are explained in the following subsections.

5.1.1.1 Malaysia

In Malaysia, the data collection was made between October 2011 and December 2011. Out of 1,500 survey questionnaires mailed to tax agents, 3 blank survey questionnaires were returned to the researcher with a note informing the agents are no longer in tax practice and provide only management accounting services. During the follow-up, the researcher was also informed that 3 addressees have moved to other business premises and a further 9 survey questionnaires were unable to be delivered to the potential respondents. Eventually only 92 responses were completed and returned to the researcher for analysis. The survey response rate for Malaysia is summarized as follows:

Table 5.1 Mail survey response rate for Malaysia

Particulars	**Quantity**
Number of questionnaires mailed	1,500
No longer in tax practice	(3)
Delivered but addressee has moved	(9)
Total available questionnaires	1,488
Number of responses received	92
Response rate (%)	6.2

The response rate for Malaysia was ascertained by calculating the number of responses received with total available questionnaires, resulting in a 6.2 percent of response rate. It is disappointing to note that the response rate obtained from Malaysia is low and lower than the average of 30 percent response rate for postal mail survey as suggested by Evans (2003) in tax compliance cost studies. Low response rates in tax studies have been experienced by other tax studies as well. A study on tax compliance cost of personal taxpayers in India by Chattopadhyay and Das-Gupta (2002) for instance, only managed to obtain a response rate of 2 percent from the postal survey, and out of 120 questionnaires sent to tax agents only 1 questionnaire was completed and returned. A recent study by Mohd Isa (2012) among corporate taxpayers in Malaysia for instance, indicates an overall mixed-mode survey response rate of 5 percent. If analysed independently, the postal survey in Mohd Isa (2012) study only generated 59 useable responses with 2.5 percent response rate.

There are several possible reasons contributing to the low response rate obtained for Malaysian survey. In Malaysia, a cross between systematic random sampling and snowballing sampling was used to select samples for the study. The snowballing sampling required tax agents who were initially identified from the systematic random sampling to disseminate the questionnaires to their colleagues. However, the researcher could not determine if the tax agents either refused to distribute the other two survey packages to their colleagues or even if they disseminated them, they could not enforce their colleagues to participate since this survey is voluntary. For instance, during the follow-up, some tax agents mentioned that they had passed the other two survey packs to their subordinates but they could

not force them to participate. As a result, the actual number of surveys distributed and received by potential respondents in Malaysia is not known which may lead to the low response rate for Malaysia.

In addition, some tax agents mentioned that they are busy and do not have the time to fill in the questionnaire survey despite being informed by the researcher during the follow-up calls that late responses are still acceptable. The busy schedule of tax agents even during the off peak period is understood since they may be involved in other tax work, such as tax planning, and to a certain extent could contribute to their reluctance to participate in the study. Given the sensitive issues explored in the survey, there is also the possibility that some tax agents do not feel comfortable to answer questions about themselves despite participation being anonymous. Another potential factor is that there are some tax agents who simply do not have the interest to participate without giving further explanation for their refusal. During the follow-up calls some tax agents mentioned that they have received the questionnaire but did not guarantee that they would participate in the study.

Nonetheless, the number of useable responses in this study is adequate for further analysis. The number of responses exceeds the requirement for PLS analysis based on the ten times rules of thumb as suggested by Hair et al. (2012). The ten times rule of thumb suggests that the minimum number sample size should be ten times the number of path relationships directed to a particular construct in the structural model (Hair et al., 2012). The number of responses also fell between the minimum sample requirement suggested by Chin and Newsted (1999) for PLS

analysis, and exceeds the recommended minimum sample size for quantitative studies by Collins et al. (2007).

5.1.1.2 New Zealand

In New Zealand, the data collection was made between October 2011 and January 2012. The questionnaire was developed using Qualtrics Survey Software (QSS) subscribed by the University of Canterbury, and disseminated to 1,500 members of NZICA listed as public practitioners in New Zealand, (details are available from NZICA's website). An introductory email explaining the background of the study, containing the links for the survey and interview, was sent to these 1,500 potential participants. Out of these 1,500 initial invitations, 16 tax agents sent emails to the researcher, notifying their refusal to participate in the study. A further 185 emails were opened by potential respondents and 135 participants provided their responses. The survey response rate is provided in Table 5.2.

Table 5.2 Online survey response rate for New Zealand

Particulars	**Quantity**
Number of invitations	1,500
Not able / not willing to answer	(16)
Total available	1,484
Emails opened	185
Number of responses received	135
Response rate (%)	9.1

The response rate for the study was determined by calculating the ratio of number of responses received to total surveys available, yielding a 9.1 percent response rate.[23] Similar to Malaysia, the total responses are somewhat disappointing, but the sample size is sufficient for statistical analysis. Other tax studies using online surveys also obtained low response rates. Tran-Nam and Karlinsky (2008), for instance, recorded a survey response rate of 8.6 percent in an online survey among tax agents in Australia. In recent online surveys among small business taxpayers in Australia, Lignier and Evans (2012) only obtained a response rate of around 4.5 percent. Another recent online surveys among small business taxpayers in Canada, South Africa and United Kingdom by Hasseldine et al. (2012), also recorded low response rates of 1.35 percent, 6.7 percent and 0.9 percent respectively. Furthermore, the completed useable responses of 119 for New Zealand, as explained in sub-section 5.2.1, meets the requirement of the "ten times rule of thumb" in determining the minimum sample size in PLS (Hair et al., 2012, p. 144), and exceeds the minimum requirement for a sample size suggested by Chin and Newsted (1999) and Collins et al. (2007).

Some feedback provided by the Chartered Accountants invited to participate in the survey suggest several reasons for not participating. First, not all Chartered Accountants listed as "Public Practitioner" in the NZICA's website are in tax practice. There are members who are involved only in other accounting practices such as auditing, management accounting and financial accounting. The database available from the NZICA's website, however, does not differentiate

[23] Tran-Nam and Karlinsky (2008) calculated the response rate in their study, which also used an online questionnaire, by dividing the actual number of responses with the total number of emails opened. If the same method is applied in this study, it generates a response rate of 72.97 percent.

members according to their expertise in sub-areas of accounting namely audit, tax, management and financial accounting. Therefore, it is unlikely to prepare a list containing only tax agents from the database. Consequently, there is a possibility that the sample frame may have not captured the actual number of NZICA members who practised as tax agents, resulting into an understated response rate. Some of the comments indicate this situation:

"We only do audit, no taxation"

"We only do management systems and financial systems"

Another potential reason is tax agents are over-committed and have time constraints with their tax work, as suggested by the following electronic mails sent to the researcher:

"I am over-committed this time"

"Sorry, do not have the time"

In addition to that, there are also Chartered Accountants who indicated their reluctance to participate without giving any further reasons as commented below:

"Not able to participate"

"Unable to do the survey"

As a result of higher internet security practised by organizations, there is also a possibility that the emails sent to the potential survey respondents are not delivered into their mailbox and considered as unsolicited or spam emails (Bryman and Bell, 2011). Thus, the actual number of surveys received by tax agents is unknown, and this could be another possible reason contributing to the low

response rate obtained in this study. Similar to Malaysia, it is also likely that some tax agents refused to participate in the survey due to the sensitive nature of the survey. As professionals, they may feel uncomfortable to answer questions about their own tax compliance behaviour.

5.1.2 Demographic background

The demographic background of survey respondents for Malaysia and New Zealand are tabulated in Tables 5.3 to 5.8. The survey respondent profiles consist of information on gender, age, ethnicity, working experience, type of firms currently working, and position in the firm. While there are differences in demographics between the Malaysian and New Zealand samples, no further test was conducted since this study used the TPB which assumes that the influence of demographic background is already captured in the attitude of the respondents.

5.1.2.1 Gender

With reference to the gender of survey respondents, it could be suggested that for Malaysian respondents, female tax agents dominated the survey participation compared to male tax agents. More than half of the survey respondents in Malaysia are female (53), compared to 39 males who participated in the study. In New Zealand, males dominated the survey participation with 83 participants, with 35 only from females.

Table 5.3 Gender of survey respondents

	Malaysia		New Zealand	
Gender	**Frequency**	**Percent**	**Frequency**	**Percent**
Male	39	42.4	83	69.8
Female	53	57.6	35	29.4
Missing	0	0	1	0.8
Total	92	100	119	100

5.1.2.2 Age

In Malaysia, the majority of the respondents were below the age of 30 (45.6 percent). In contrast, only nine New Zealand respondents fell below this age level. The data also indicates that a significant number of the New Zealand respondents were between the ages of 41 to 55 years old (61.4 percent) as illustrated below. Overall, it could be suggested that respondents from Malaysia are younger compared to the New Zealand respondents.

Table 5.4 Age of survey respondents

	Malaysia		New Zealand	
Age (years)	**Frequency**	**Percent**	**Frequency**	**Percent**
25 or below	22	23.9	6	5.0
26-30	20	21.7	3	2.5
31-35	11	12.0	8	6.7
36-40	13	14.1	8	6.7
41-45	9	9.8	25	21.0
46-50	5	5.4	21	17.7
51-55	4	4.3	27	22.7
56-60	3	3.3	8	6.7
Over 60	5	5.4	13	10.9
Missing	0	0	0	0
Total	92	100*	119	100*

**Note*: Rounded-up to the nearest whole number.

5.1.2.3 Ethnicity

With regard to ethnicity, majority of the respondents were Malays with 74 respondents (80.4 percent), followed by 15 Chinese and 2 Indian respondents. Likewise, in New Zealand, the survey participation is also dominated by those with European ethnicity with 104 respondents (87.4 percent). Other ethnics such as Maori, Pacific and Asian, are represented by 6 respondents (5 percent) from the total survey participation. Seven respondents fell under the category of "Others", but did not elaborate further their ethnicity.

Table 5.5 Ethnicity of survey respondents

Malaysia			**New Zealand**		
Ethnicity	**Frequency**	**Percent**	**Ethnicity**	**Frequency**	**Percent**
Malay	74	80.4	NZ European	104	87.4
Chinese	15	16.3	Maori	1	0.8
Indian	2	2.2	Pacific	1	0.8
			Asian	4	3.4
			Others	7	5.9
Missing	1	1.1	Missing	2	1.7
Total	92	100		119	100

5.1.2.4 Working experience in tax practice

A significant number of survey respondents in Malaysia have less than 5 years of experience in tax practice (41 respondents) contributing to 44.6 percent of the total survey participation. Twenty one respondents, equivalent to 22.8 percent, have around 11 to 20 years of tax working experience, followed by 17 respondents

who have between 5 to 10 years tax working experience. In this study, 13 respondents from Malaysia had more than 20 years of tax working experience.

A different pattern of tax working experience is recorded for New Zealand. The majority of the New Zealand respondents, 62 tax agents, stated that they have more than 20 years of tax working experience which is equivalent to 52.1 percent. This is followed by 33 respondents (27.7 percent) who indicated that they have around 11 to 20 years of experience in tax practice. Thirteen respondents (10.9 percent) have between 5 to 10 years of tax working experience and 11 of the respondents mentioned that they have less than 5 years of experience.

Table 5.6 Working experience of survey respondents

	Malaysia		**New Zealand**	
Experience (years)	**Frequency**	**Percent**	**Frequency**	**Percent**
Less than 5	41	44.6	11	9.2
5-10	17	18.5	13	10.9
11-20	21	22.8	33	27.7
More than 20	13	14.1	62	52.1
Missing	0	0	0	0
Total	92	100	119	100*

Note: Rounded-up to the nearest "0".

5.1.2.5 Type of firms

The data in Table 5.7 below indicates that majority of the survey respondents from Malaysia came from small size public accounting firms with 39 participants. They contributed 42.4 percent from the total survey participation

from Malaysia. The second largest group of respondents came from medium size public accounting firms with 30 participations (32.6 percent). There were 8 representatives from "Big Four" public accounting firms, 5 respondents were from tax consulting firms and 3 sole practitioners. Seven respondents, however, did not indicate the type of firms they are currently working. Similarly, in New Zealand, a significant number of participants came from small size public accounting firms with 73 respondents, who contributed 61.3 percent from the total survey participation from New Zealand in this study. This is followed by 23 respondents from medium size public accounting firms, 9 participations each from tax consulting firms and sole practitioners. The smallest number of participants in New Zealand came from "Big Four" public accounting firms with only 5 respondents.

Table 5.7 Type of firms of survey respondents

	Malaysia		**New Zealand**	
Types of firm	**Frequency**	**Percent**	**Frequency**	**Percent**
'Big Four" public accounting firms	8	8.7	5	4.2
Medium size public accounting firms	30	32.6	23	19.3
Small size public accounting firms	39	42.4	73	61.3
Tax consulting firms	5	5.4	9	7.6
Sole Practitioner	3	3.3	9	7.6
Missing	7	7.6	0	0
Total	92	100	119	100

5.1.2.6 Position

The survey respondents were also required to state their current position in their firm. In Malaysia, for instance, the terms ‘tax assistant’, ‘tax executive’, and ‘tax associate’, basically refer to the most junior level of tax staff in a firm. In this study, a majority of the respondents from Malaysia, (22 participations), are at the level of tax assistant/tax executive/tax associate, which constitutes 23.9 percent from the total survey participation. This is followed by the position of ‘manager’ at a slightly lower number of participations of 21 respondents (22.8 percent). The third largest group of respondents from Malaysia are at the level of senior tax assistant/senior tax executive/senior tax associate, with 17 respondents, and contribute to 18.5 percent of the total survey participation. Eleven of the respondents are at the level of Partner, while the positions of senior manager, principal, director, sole-practitioner and tax consultants, are minimally represented in this study. Six of the survey respondents declined to state their position in the firm. In comparison with New Zealand, a majority of the respondents are partners of the firms. A sizeable number of 36.9 percent, of the total survey participation for New Zealand in this study were partners. The second position was director, which is represented by 25 participations or 21 percent. This is followed by respondents who are at the level of manager with 12 respondents or 10.1 percent. The positions of principal, sole practitioner and tax consultant were moderately represented with 9 participants for each category. The remaining positions are intermediate accountant (5 participations), senior accountant (1 respondent), senior manager (2 respondents) and associate partner (3 respondents).

Table 5.8 Positions of survey respondents

Malaysia			New Zealand		
Positions	**Frequency**	**Percent**	**Positions**	**Frequency**	**Percent**
Tax assistant / executive /associate	22	23.9	Intermediate Accountant	5	4.2
Senior tax assistant / executive /associate	17	18.5	Senior Accountant	1	0.8
Manager	21	22.8	Manager	12	10.1
Senior Manager	3	3.3	Senior Manager	2	1.7
Principal	1	1.1	Principal	9	7.6
Director	4	4.3	Director	25	21
Partner	11	12	Associate Partner	3	2.5
Sole Practitioner	3	3.3	Partner	44	36.9
Tax Consultant	4	4.3	Sole Practitioner	9	7.6
Missing	6	6.5	Tax Consultant	9	7.6
			Missing	0	0
Total	92	100		119	100

5.1.3 Response representativeness

One method to determine the representativeness of the samples is by comparing the demographic background of respondents with the whole population (Saunders et al., 2003). Due to the unavailability of information from MIA's 2012 Annual Report, the representativeness of the samples from Malaysia was established by comparing only the gender and age of survey respondents with the MIA membership population. In New Zealand, based on information obtained from

the NZCIA‘s 2012 Annual Report, comparisons on gender, age and ethnicity were made between the survey respondents and NZICA membership population to determine representativeness.

5.1.3.1 Malaysia

According to the statistics provided in MIA’s 2012 Annual Report, males and females are equally represented in MIA membership for the year ended June 2012. Looking at both datasets, there is a marginal difference between the ratio of males and females in the current study with the gender ratio in the total MIA membership. Based on this, it could be suggested that the gender ratio of males and females in the current study ‘moderately’ reflects the gender mix of the population.

Originally, the age brackets established for the study were different from the age bands of the population. To make it more comparable, the age brackets of the original study were transformed to the same age brackets of the population. Based on the age tabulation sets out in Table 5.9, in comparison with the MIA population, it could be suggested that respondents below the age of 30 are over-represented in the current study.[24] The comparison also indicates that the age pattern of the observed sample differs from the population. While the age of the population concentrates at the middle age level, the age of observed samples generally centred on the young and middle age levels. Arguably, the age of the respondents does not sufficiently resemble the age of the total population.

[24] This study did not use MIA members as samples but tax agents in public practice as well as tax staff employed by the tax agents as explained earlier in sub-section 4.7.1.1. A person is not required to be a member of MIA to become a tax agent in Malaysia. Even if the employees of the tax agents are not MIA members, they are still obliged to the same professional ethics as MIA members since MIA governs the accounting profession in Malaysia.

Unfortunately, the breakdown of membership ethnicity is not available from the MIA's 2012 Annual Report.[25] However, it was reported by the then MIA's President in the media that for the year 2012, the representation of Malay accountants in MIA membership was around 28 percent (Unknown, 2012). Based on this information, it could be suggested that Malays were over represented in the study. It also implies that there is little evidence to conclude that the ethnicity of the observed sample mirrored the ethnicity of the population. Despite this, as mentioned in sub-section 2.4.2, prior studies in Malaysia such as Lim (2001) found that, regardless of their ethnicities, managers in Malaysia are similar in their decision making.[26]

In general, after reviewing both datasets from three selected criteria, namely gender, age and ethnicity, there is a concern that the observed sample does not truly represent the population except for gender which approximately reflects the total population. One possible reason could be due to the existence of selection bias as a result from employing a cross between systematic random sampling and snowballing in data collection. Arguably, there is also the possibility that different ethnics have different level of survey response rate (Lyness and Kropf, 2007).

[25] Personal communication with the officer-in-charge confirmed that MIA does not reveal their membership demographic background except as disclosed in its annual report to oblige with its Database Information Privacy Policy.

[26] This thesis examines the influence of culture at the national level by using Hofstede's (1980) National Cultural Dimensions to measure culture. Therefore the issue of ethnicity is not considered to be relevant in the context of this thesis. Consistent with other tax compliance studies such as Saad (2011) and Mohd Ali (2013) ethnicity is only used to determine representativeness of the samples in the study. It is also consistent with the suggestion by Sekaran (2002) in determining the representativeness of the sample over the population.

Table 5.9 Comparison between survey response and population - Malaysia

	Survey response		MIA population		
Items	**Frequency**	**Percentage**		**Frequency**	**Percentage**
Gender					
Male	39	42.4	Male	14,245	50
Female	53	57.6	Female	14,245	50
Age [a]					
Below 30	42	45.7	Below 30	2,207	8
31-40	24	26.1	31-40	12,401	43
41-50	14	15.2	41-50	8,804	31
51-60	7	7.6	51-60	3,877	14
Above 60	5	5.4	Above 60	1,200	4
Ethnicity					
Malay	74	80.4	Data was not disclosed in MIA's Annual Report [b]		
Chinese	15	16.3			
Indian	2	2.2			

Note: (a) The original age bands for the study were re-grouped to be consistent with MIA's data.

(b) Nonetheless, it was reported in the media that the Malays formed 28 percent of MIA membership in 2012 (Unknown, 2012).

(c) All figures exclude respondents with missing data.

5.1.3.2 New Zealand

While equal numbers of males and females have been entering the New Zealand accounting profession (Whiting & Wright, 2001) and female membership of NZICA has increased over the years (Hopman & Lord, 2009), the statistics provided by the NZICA suggests that males still dominate the accounting

profession. For the year ended June 2012, NZICA had 33,297 members of which 58 percent were males and the remaining 42 percent females (NZICA Annual Report, 2012). Therefore, it is not surprising that males are represented more than females in this study. While there is a slight difference with regard to the ratio of males and females in the study, with the ratio of males and females in the total population of NZICA membership as tabulated in Table 5.10, it can be concluded that the observed samples in the study approximately reflect the gender of the population. Due to the differences in the age brackets employed in the study with the NZICA membership population, it is inappropriate to make any comparison between the two datasets. However, it could be suggested that majority of the respondents are 'middle aged' which approximately resembles the NZICA membership population.

The statistics of NZICA membership indicates that majority of the members are of New Zealand and European ethnicity with 60.2 percent. The second largest group was formed by "Other ethnics" with 24 percent, followed by Asian with 15 percent and the least members, Maori, formed only 0.8 percent of the total membership population. An identical pattern of ethnicity was evidenced in the observed samples. The largest group of respondents came from the New Zealand European, followed by "Others" ethnicity, Asian, and the least respondents were of Maori ethnicity. Based on the pattern, it is argued that the ethnicity of the observed samples mirrored the ethnicity of the membership population.

In summary, the observed samples approximately represented the population of NZICA's membership based on some selected criteria. Except for unavailable information, comparisons between the observed samples and total

population suggest that the samples in the study somewhat reflect the total population.

Table 5.10 Comparison between survey response and population- New Zealand

	Survey response			NZICA population	
Items	**Frequency**	**Percentage**		**Frequency**	**Percentage**
Gender					
Male	83	69.7	Male	19,312	58
Female	35	29.4	Female	13,985	42
Age					
25 or below	6	5	Under 30	4,662	14
26-30	3	2.5	30-39	7,991	24
31-35	8	6.7	40-49	9,656	29
36-40	8	6.7	50-59	6,326	19
41-45	25	21	60 or over	4,329	13
46-50	21	17.6			
51-55	27	22.7			
56-60	8	6.7			
Over 60	13	10.9			
Ethnicity					
New Zealand European	104	87.4	New Zealander and European	20,644	60.2
Maori	1	0.8	Maori	2,664	0.8
Pacific	1	0.8	Asian	4,995	15
Asian	4	3.4	Others[a]	7,991	24
Others	7	5.9			

Note: (a) This category consists of Middle Eastern, African, Pacific and not disclosed category
(b) All figures exclude missing data

5.1.4 Nonresponse bias

To examine the existence of non-response bias between those who participated in the study and those who refused to participate, the responses were divided into early and late responses, as explained in sub-section 4.7.7.3. The late respondents were used as substitutes of non-respondents (Armstrong and Overton, 1977). For this purpose, the difference of means of the early and late responses on sixteen cultural items was then compared to determine whether or not it was significant at $p \leq 0.05$ using independent *t*-test analyses.

5.1.4.1 Malaysia

The results from the independent *t*-test analysis between early and late responses for Malaysian survey are illustrated in Table 5.11 below, consisting of the mean, standard deviation and the respective two-tailed *p*-values. The results from the analysis suggest that nonresponse bias is not a serious threat to the study since both early and late respondents responded similarly to the survey. A majority of the items have *p*-values of more than 0.05 except for item MAS4 which has a *p*-value of less than 0.05 but more than 0.01. Notwithstanding that, it is not completely guaranteed that there is no response bias in the study considering the small number of samples from Malaysia. The full results from the analysis are available in Appendix I.

Table 5.11 Mean and Standard Deviation for Early and Late Responses – Malaysia

	Response	N	Mean	Std. Dev.	*p*-value (two tailed)
PD1	Early	47	4.79	1.781	0.488
	Late	45	5.04	1.713	
PD2	Early	47	3.34	2.042	0.119
	Late	45	3.95	1.620	
PD3	Early	47	3.91	1.653	0.201
	Late	45	4.39	1.853	
PD4R	Early	47	2.89	1.323	0.646
	Late	45	3.02	1.302	
IND1R	Early	47	2.28	1.425	0.217
	Late	45	2.67	1.581	
IND2	Early	47	4.38	1.609	0.231
	Late	45	4.00	1.430	
IND3	Early	47	3.38	2.049	0.237
	Late	45	2.96	1.348	
IND4R	Early	47	3.23	1.371	0.386
	Late	45	3.00	1.206	
MAS1	Early	47	3.90	1.772	0.585
	Late	45	4.09	1.490	
MAS2	Early	47	5.04	1.351	0.365
	Late	45	5.29	1.236	
MAS3	Early	47	3.30	1.502	0.263
	Late	45	3.67	1.638	
MAS4	Early	47	5.17	1.324	0.048*
	Late	45	4.62	1.302	
UAV1	Early	47	5.98	0.921	0.090
	Late	45	5.35	1.265	
UAV2R	Early	47	3.55	1.780	0.330
	Late	45	3.89	1.496	
UAV3	Early	47	4.98	1.294	0.177
	Late	45	4.58	1.530	
UAV4R	Early	47	3.79	1.587	0.648
	Late	45	3.93	1.468	

*Significant at $p \leq 0.05$

5.1.4.2 New Zealand

The results for the nonresponse bias test for New Zealand are presented in Table 5.12 below, which state the mean, standard deviation and *p*-values for two-tailed test between the early and late respondents. The results indicate that majority of the items have *p*-values of more than 0.05 indicating that early and late respondents responded similarly to the survey. As for two items, PD2 and MAS4, they have *p*-values of less than 0.05 but both are more than 0.01. Based on these findings, similar to Malaysia, it could be suggested that non-response bias is not a serious concern in the survey responses from New Zealand. Nonetheless, this does not fully assure the non-existence of response bias considering that the study only recorded a small number of samples from New Zealand. The detailed results for the analysis are available in Appendix J.

Table 5.12 Mean and Standard Deviation for Early and Late Responses – New Zealand

	Response	N	Mean	Std. Deviation	*p*-value (two tailed)
PD1	Early	73	4.85	1.515	0.339
	Late	46	5.13	1.614	
PD2	Early	73	2.55	1.202	0.025*
	Late	46	3.13	1.439	
PD3	Early	73	3.97	1.481	0.648
	Late	46	4.11	1.729	
PD4R	Early	73	3.77	1.370	0.456
	Late	46	3.57	1.530	
IND1R	early	73	2.26	1.080	0.562
	late	46	2.15	.816	
IND2	early	73	4.12	1.649	0.966
	late	46	4.11	1.935	
IND3	early	73	2.54	1.403	0.610
	late	46	2.67	1.461	
IND4R	early	73	4.47	1.500	0.758
	late	46	4.57	1.734	
MAS1	early	73	3.48	1.690	0.790
	late	46	3.39	1.782	
MAS2	early	73	5.33	1.001	0.097
	late	46	4.92	1.458	
MAS3	early	73	2.57	1.022	0.784
	late	46	2.63	1.271	
MAS4	early	73	4.73	1.326	0.034*
	late	46	4.72	1.393	
UAV1	early	73	5.81	1.174	0.394
	late	46	6.00	1.174	
UAV2R	early	73	4.15	1.793	0.287
	late	46	3.80	1.600	
UAV3	early	73	4.23	1.559	0.306
	late	46	3.93	1.511	
UAV4R	early	73	4.64	1.284	0.692
	late	46	4.74	1.405	

*Significant at $p < 0.05$.

5.2 Preliminary analysis

The preliminary analysis involved several analyses namely a data screening process, common method bias analysis, social desirability analysis, descriptive analysis and *t*-test analysis.

5.2.1 Data screening process

The data screening process involved treatment of missing values, determining outliers and normality of the data, to ensure the data fulfil the assumptions of the statistical test (Sekaran and Bougie, 2010). Missing data is considered as a common problem in research (Sekaran and Bougie, 2010). A check on the Malaysian data revealed that all 92 responses received have less than 10 percent missing data. Hair et al. (2010) suggest that any remedies of missing data could be applied if the missing data is less than 10 percent. Following the recommendation of Hair et al. (2010), the Expectation Maximisation (EM) method was used to treat the missing data problem for Malaysia.

Similar to Malaysia, an initial check on the New Zealand data indicated that out of 135 responses received, 16 have missing data have more than 10 percent. Following the suggestion by Hair et al. (2010), these 16 cases were removed from the dataset leaving 119 useable cases for further analysis. Since any imputation methods could be used for cases with less than 10 percent missing data (Hair et al., 2010), similar to Malaysia, the EM method was used to replace the missing values. Once the missing data was determined, the existence of outliers was tested in both datasets from Malaysia and New Zealand by examining the minimum and maximum values from the frequencies analysis (Sekaran and Bougie, 2010).

The normality of the data was checked by examining the skewness and kurtosis of the data distribution. The results from Malaysia indicate that the majority of the data fell within the acceptable range of +/- 3 for skewness (Lind et al., 2008) and +/- 3 for kurtosis (Gaur and Gaur, 2006), with very few data deviating slightly from the acceptable values. A check on the skewness and kurtosis of New Zealand data also revealed that majority of the data fell within the acceptable range of +/-3 for skewness and kurtosis values (Gaur and Gaur, 2006; Lind et al., 2008) with some data falling outside the acceptable normality values. Considering that this study involves sensitive issues, it is expected that some responses may skew positively or negatively.

Despite some of the data for both Malaysia and New Zealand falling beyond the accepted normality range, as displayed in Appendix K and Appendix L, it could still be suggested that the data is approximately normal. Hair et al. (2010) suggest that non-normality will have unfavourable impact to the findings if the samples are less than 50, which in this case, is not relevant for the study since the number of samples for both countries are more than 50. In addition to that, according to the central limit theorem, the mean sample from a sample size increases with the number of sample and if the number of the sample is more than 30 (such as in this study), the mean of the samples would be approximately normally distributed even when the original population is not normal (Field, 2009; Lind et al., 2008). In a Monte Carlo analysis performed by Moore and McCabe (2006), they found that for a sample of at least 40 in each group, a t-test analysis could be used, without any consideration for skewness or outliers, which could be due to the central limit theorem (Lind et al., 2008). Furthermore, the Partial Least

Squares (PLS) applied in this study is not restricted to any distribution assumption of the data. The minimum, maximum, skewness and kurtosis are presented in Appendices K and L.

5.2.2 Common method bias analysis

As mentioned earlier in sub-section 4.7.7.4, apart from following the suggestions by Podsakoff et al. (2003) and Conway and Lance (2010) to reduce common method bias in the study, Harmon's single factor test was also performed to assess the extent of common method bias in the study by forcing all indicators to load in a single factor (Podsakoff et al., 2003). There is a problem of common method bias if a single factor accounts for the majority of the variance.

The results from the principal factor analysis for Malaysian data suggest that there are eighteen factors extracted with eigenvalues more than 1 with a cumulative value of 80.53 percent of the total variance. Since factor one only accounted for 26.74 percent of the variance, it could be suggested that in this study the impact of common method bias is minimal and is not a serious issue in the survey findings from Malaysia. Similar to Malaysia, a test to assess the extent of common method bias in survey data from New Zealand was also performed using the Harmon's single factor test. The test on New Zealand survey data also revealed the marginal existence of common method bias indicating that common method bias is not a serious threat in this study. There are twenty factors with eigenvalue more than 1 which cumulatively accounted for 78.04 percent of the total variance generated by this analysis from New Zealand survey data. However, factor one accounted for only 20.47 percent of the variance. Notwithstanding that, it is not fully guaranteed that the survey findings for the study are fully free from any bias.

The detailed analyses for examining common method bias for both countries are presented in Appendices M and N.

5.2.3 Social desirability bias

Social desirability bias may exist in self-reports study especially if the study involves sensitive issues (Bryman and Bell, 2011), such as in this study. In self-report studies, respondents have the tendency to depict themselves with a favourable image by choosing answers which interpreted as more socially desirable which could introduce bias to the findings of the study (Krosnick, 1999). To determine the existence of social desirability bias in the study, the respondents were asked the possibility that they and their peers will perform the action as described in the overstating tax expenses scenario and understating income scenario. All responses were recorded using seven-point scales, fully anchored with a High/Low, with higher scales indicating lower probability to perform the described behaviour in the scenarios. The findings from the paired *t*-test for both Malaysia and New Zealand are presented in the following sub-sections.

5.2.3.1 Malaysia

The results from the paired *t*-test suggest that social desirability bias exist in the study for both over-reporting tax expenses scenario (t = -5.162, $p < 0.01$) and under-reporting income tax scenario (t = -4.707, $p < 0.01$). The findings indicate that survey respondents from Malaysia perceived themselves as more ethical compared to their peers. The findings are summarized in Table 5.13.

Table 5.13 Measures of social desirability bias - Malaysia

		Peero/Peeru[a]		Selfo/Selfu[b]			
Scenarios	**N**	**Mean**	**Std. Dev.**	**Mean**	**Std. Dev.**	***t* -value**	***p*–value *(two tailed)***
Overstating expenses	92	4.03	1.700	4.83	1.56	-5.162	.000
Understating income	92	4.13	1.762	4.89	1.687	-4.707	.000

Notes: [a] "The probability that my peers will take the same action is …"

[b] "The probability that I will take the same action is…."

All responses were rated with seven-point scales, fully anchored with High/Low with higher scores indicating low probability to perform the described behaviour

5.2.3.2 New Zealand

Similar to the Malaysian survey respondents in the study, the findings indicate that social desirability bias exists in the responses of New Zealand survey respondents. In both scenarios, the overstating tax expenses (t = -6.513, $p < 0.01$) and understating income (t = -6.103, $p < 0.01$), there are statistically significant differences between the perception of how likely tax agents in the study perform the described behaviour in the scenario (Selfo/Selfu), with the possibility that their peers will perform similar behaviour (Peero/Peeru). The results indicate that New Zealand tax agents in the study are likely to perceive themselves as more ethical compared to their peers.

Table 5.14 Measures of social desirability bias – New Zealand

Scenarios	N	Peero/Peeru[a] Mean	Peero/Peeru[a] Std. Dev.	Selfo/Selfu[b] Mean	Selfo/Selfu[b] Std. Dev.	*t*-value	*p*–value *(two tailed)*
Overstating expenses	119	4.40	1.986	5.39	2.022	-6.513	.000
Understating income	119	4.95	1.991	5.85	1.885	-6.103	.000

Notes: [a] "The probability that my peers will take the same action is …"

[b] "The probability that I will take the same action is…."

All responses were rated with seven-point scales, fully anchored with High/Low with higher scores indicating low probability to perform the described behaviour

In sum, social desirability bias exists in the responses of survey respondents from Malaysia and New Zealand in both tax scenarios presented in the study. The survey respondents in this study from both countries have the tendency to perceive themselves as more ethical compared to their peers in overstating tax expenses and understating tax income. The findings are consistent with other ethics-based studies on accountants, such as Cohen et al. (1993) and Cruz et al. (2000). While the existence of social desirability bias suggests that the findings from this study have to be interpreted with caution, it also supports the suggestion by Cruz et al. (2000) on the importance of testing for social desirability bias in tax compliance studies. The findings also indicate that survey respondents in both countries perceive themselves and their peers as less likely to involve in understating tax income compared to overstating tax expenses, which supports the argument by Jones (1991) that being ethical is situation specific.

5.2.4 Descriptive analysis

Descriptive analysis is frequently used to interpret basic features of the data. In this descriptive analysis, the minimum, maximum, mean and standard deviation are presented for each item measuring culture, Theory of Planned Behaviour (TPB) and ethical sensitivity. The measures for each item are also provided as per outlined in the questionnaire with the respective codes.

5.2.4.1 Malaysia

This section explains findings from the perceptions of survey respondents from Malaysia on culture, TPB items and ethical sensitivity, in complying with the tax law while performing their roles as tax agents. The descriptive statistics results are outlined in Table 5.15 to Table 5.19.

(a). Measures of culture

The Descriptive results for culture are presented in Table 5.15 below displaying four of Hofstede's (1980) National Cultural Dimensions operationalized in tax compliance context. To interpret the results, the lower the mean values, indicates higher disagreement on the influence of culture in complying with the tax law. The overall results suggest that respondents have mixed opinions on the influence of Power Distance, Individualism, Masculinity and Uncertainty Avoidance in complying with the tax law. The overall mean of Power Distance of 3.92 indicates that there is low gap of Power Distance between the junior and their superior in the study when complying with the tax law. There were mixed of opinions on individualism and tax compliance behaviour with the means ranging from 2.47 to 4.20, resulting in an overall mean of 3.24, leaning towards low

individualism. While the means for Masculinity measures were mixed, they were moving towards higher Masculinity culture in complying with the tax law with an overall mean of 4.38. The Uncertainty Avoidance measures also generated mixed means, ranging from 3.72 to 5.67 resulting in an overall mean of 4.51. This suggests that respondents in the study had the tendency to practise high Uncertainty Avoidance culture in complying with the tax law while performing their roles as tax agents.

Table 5.15 Descriptive statistics on measures of culture - Malaysia

Measures	Code	N	Min	Max	Mean	Std. Dev.
Power Distance	**PD**	**92**	**1**	**7**	**3.92**	**1.023**
A junior staff should follow the instructions from his/her superior in complying with the tax law	PD1	92	1	7	4.91	1.743
A junior staff should feel afraid to disagree with his/her superior in complying with the tax law	PD2	92	1	7	3.64	1.863
Most of the time, a superior is expected to tell his/her junior staff on what to do in complying with the tax law	PD3	92	1	7	4.15	1.760
A junior staff should always be involved in the decision making when dealing with client's tax matters *	PD4R	92	1	7	2.96	1.307
Individualism	**IND**	**92**	**1**	**7**	**3.24**	**0.822**
The benefits that we as a society could enjoy from the amount of tax collected is very important to me *	IND1R	92	1	7	2.47	1.508
When complying with the tax law, I only consider the effect to my client	IND2	92	1	7	4.20	1.528
I do not care whether or not the society would benefit from the amount of tax collected as long as I could enjoy the tax benefit	IND3	92	1	7	3.17	1.746
I would consider the long term effect to the society when complying with the tax law*	IND4R	92	1	7	3.12	1.291
Masculinity	**MAS**	**92**	**1**	**7**	**4.38**	**0.825**
I would rather challenge the tax authority than negotiate with them in a tax lawsuit	MAS1	92	1	7	3.99	1.634
I always feel confident with the decision that I make when complying with the tax law	MAS2	92	2	7	5.16	1.295
I prefer to challenge the tax authority's decision rather than negotiate with them	MAS3	92	1	7	3.48	1.572
I always feel confident to make my own decisions while dealing with my client's tax matter	MAS4	92	1	7	4.90	1.335
Uncertainty Avoidance	**UAV**	**92**	**1**	**7**	**4.51**	**0.810**
The more precise the tax law, the better	UAV1	92	3	7	5.67	1.140
I do not mind having differences in tax judgments with the tax authority. *	UAV2R	92	1	7	3.72	1.647
When complying with the tax law, I avoid taking any tax risk since a tax risk could cause unfavourable effect	UAV3	92	1	7	4.78	1.421
When complying with the tax law, a tax risk is an opportunity. *	UAV4R	92	1	7	3.86	1.523

*Scores for the items were reversed coded.

(b). Measures of Theory of Planned Behaviour items

Table 5.16 outlines the results from the descriptive statistics analysis for TPB items with respect to overstating tax expenses scenario. To interpret the results, the lower the means of Intention, Attitude and Subjective Norms, imply the less possibility to overstate tax expenses resulting in complying with the tax law. On the other hand, the lower the mean of Perceived Behavioural Control, this indicates greater control to overstate tax expenses resulting in noncompliance.

Except for Perceived Behavioural Control, the overall results suggest that respondents in the study were less likely to overstate tax expenses in complying with the tax law. Intention to overstate tax expenses recorded an overall mean of 3.03, indicating the tendency of respondents not to overstate the tax expenses. The overall mean of attitude of 3.16 also implies that respondents in the study have unfavourable perceptions towards overstating tax expenses. With regard to Subjective Norms, respondents had the opinion that people who are important to them were not supportive of overstating tax expenses. The overall mean of Perceived Behavioural Control of 3.76, however, suggests that respondents believed they have the control to overstate the tax expenses.

Table 5.16 Descriptive statistics on measures of Theory of Planned Behaviour items (Overstating tax expenses scenario) - Malaysia

Measures	Code	N	Min	Max	Mean	Std. Dev.
Intention	**INO**	**92**	**1**	**7**	**3.03**	**1.585**
If I had the opportunity, I would overstate the business travelling expenses in the tax return* (Likely…Unlikely)	INO1R	92	1	7	3.20	1.841
I would never overstate the business travelling expenses claimed in the tax return (True…False)	INO2	92	1	7	2.97	1.687
In the future, I may overstate the business travelling expenses in the tax return (True…False)	INO3R	92	1	7	2.91	1.739
Attitude	**ATO**	**92**	**1**	**7**	**3.16**	**1.511**
For me to overstate the business travelling expenses claimed in the tax return is* (Good…Bad)	ATO1R	92	1	7	2.91	1.587
For me to overstate the business travelling expenses in the tax return is (Worthless…Useful)	ATO2	92	1	7	3.46	1.667
For me to overstate the business travelling expenses in the tax return is (Harmful…Beneficial)	ATO3	92	1	7	3.12	1.715
Subjective norms	**SNO**	**92**	**1**	**7**	**3.74**	**1.144**
Most of people important to me think that I should overstate the business travelling expenses* (Agree…Disagree)	SNO1R	92	1	7	3.24	1.640
Most of people important to me will look down at me if I overstate the business travelling expenses in the tax return (Likely…Unlikely)	SNO2	92	1	7	4.06	1.708
No one who is important to me thinks it is OK to overstate the business travelling expenses in the tax return (Agree…Disagree)	SNO3	92	1	7	3.91	1.675
Perceived Behavioural Control	**PBO**	**92**	**1**	**7**	**3.76**	**1.142**
For me to overstate the business travelling expenses in the tax return is (Easy…Difficult)	PBO1	92	1	7	4.15	1.875
With my expertise, I could easily overstate the business travelling expenses in the tax return if I wanted to (Agree…Disagree)	PBO2	92	2	7	3.75	1.936
How much control do you have over overstating the business travelling expenses in the tax return (Complete control…Absolutely no control)	PBO3	92	1	7	3.37	1.608

* Scores for the items were reverse coded.

Table 5.17 illustrates the opinions of respondents in the study with regard to complying with the tax law in the understating income scenario. Similar to the first

scenario, the lower the means of Intention, Attitude and Subjective Norms reflect greater possibility to comply with the tax law by not underreporting income of $2,000. In contrast, the lower the mean of Perceived Behavioural Control, this suggests respondents have higher control to understate the income, consequently promoting noncompliance.

Similar to the first scenario on overstating tax expenses, overall, respondents in the study were less likely to involve in noncompliance behaviour, in this case understating income. The overall mean of Intention of 3.20 implies that if respondents were in the same situation as described in the scenario, they would have less intention to understate income in the tax computation. Likewise, the results reveal that respondents had favourable attitude towards tax compliance based on the overall mean of Attitude of 3.14. In a similar vein, based on the overall mean of Subjective Norms of 3.74, it could be suggested that respondents in the study believe their important others disapproved understating income behaviour. Comparable to the first scenario, tax agents in the study indicated that they had control to understate income for tax purposes based on the overall mean of 3.21 resulting into the tendency to noncompliance.

Table 5.17 Descriptive statistics on measures of Theory of Planned Behaviour items (Understating income scenario) - Malaysia

Measures	Code	N	Min	Max	Mean	Std. Dev.
Intention	**INU**	**92**	**1**	**7**	**3.20**	**1.477**
If I had the opportunity I would omit the $2,000 cash sale from the tax computation.* (Likely…Unlikely)	INU1R	92	1	7	3.28	1.842
I would never omit the $2,000 cash sale from the tax computation (True…False)	INU2	92	1	7	3.29	1.694
In the future, I may omit the $2,000 cash sale from the tax computation* (True…False)	INU3R	92	1	7	3.03	1.679
Attitude	**ATU**	**92**	**1**	**7**	**3.14**	**1.264**
For me to omit the $2,000 cash sale from the tax computation is (Good…Bad)	ATU1R	92	1	6	2.66	1.345
For me to omit the $2,000 cash sale from the tax computation is (Worthless…Useful)	ATU2	92	1	7	3.54	1.536
For me to omit the $2,000 cash sale from the tax computation is (Harmful…Beneficial)	ATU3	92	1	7	3.23	1.534
Subjective norms	**SNU**	**92**	**1**	**7**	**3.74**	**1.164**
Most of people important to me think I should omit the $2,000 cash sale from the tax computation* (Agree….Disagree)	SNU1R	92	1	7	3.43	1.775
Most people who are important to me will look down at me if I omit the $2,000 cash sale from the tax computation (Likely…Unlikely)	SNU2	92	1	7	3.87	1.787
No one who is important to me thinks it is OK to omit the $2,000 cash sale from the tax computation (Agree…Disagree)	SNU3	92	1	7	3.93	1.653
Perceived Behavioural Control	**PBU**	**92**	**1**	**7**	**3.21**	**1.468**
For me to omit the $2,000 cash sale from the tax computation is (Easy…Difficult)	PBU1	92	1	7	3.48	1.854
With my expertise, I could easily omit the $2,000 cash sale from the tax computation if I wanted to (Agree…Disagree)	PBU2	92	2	7	2.86	1.701
How much control do you have over omitting the $2,000 cash sale from the tax computation? (Complete control…Absolutely no control)	PBU3	92	1	7	3.28	1.666

* Scores for the items were reverse coded.

c. Measures of ethical sensitivity

The similar scenarios of overstating tax expenses and understating income used to measure TPB were applied to measure the ethical sensitivity of tax agents

in the study. Table 5.18 demonstrates the descriptive statistics on measures of ethical sensitivity for over claiming tax expense scenario. The results indicate that respondents evaluated moderately each moral dimension in the case of overstating business travelling expenses for tax purposes. This could be evidenced from the overall mean values of each moral philosophy in the MES which centred near to the middle point of the scale.

The overall mean of Moral Equity of 4.87 suggests that respondents regard overstating tax expenses as leaning more towards injustice, unfairness, not morally right and not acceptable to their family. With respect to Relativism, respondents indicate that the act of overstating tax expense inclined more towards traditionally and culturally unacceptable, with an overall mean value of 4.44. The overall mean value of Egoism of 3.78 implies that respondents perceived overstating tax expense as unethical since it promoted the well-being of oneself over the others.

The act of overstating business travelling expenses for tax purposes was also perceived as not ethical since it did not produce the greatest utility for greatest number of people or maximize benefits over harm to all parties involved. This could be seen from the overall mean value of Utilitarianism dimension of 4.18. Finally, with an overall mean value of 4.67, respondents also had the opinion that overstating tax expense had violated the unwritten contract and violated unwritten promise. The violations imply an unethical behaviour according to Contractualism moral philosophy.

Table 5.18 Descriptive statistics on measures of ethical sensitivity (Overstating tax expenses scenario) - Malaysia

Measures	Code	N	Min	Max	Mean	Std. Dev.
In your opinion, Rose's decision to overstate the business travelling expenses is:						
Moral Equity	**MEO**	**92**	**1**	**7**	**4.87**	**1.416**
Just…….Unjust	MEO1	92	1	7	4.64	1.661
Fair…….Unfair	MEO2	92	1	7	4.91	1.601
Morally right …….Not morally right	MEO3	92	2	7	5.22	1.389
Acceptable to my family…….Not acceptable to my family	MEO4	92	1	7	4.71	1.741
Relativism	**REO**	**92**	**1**	**7**	**4.44**	**1.603**
Traditionally acceptable…….Traditionally unacceptable	REO1	92	1	7	4.41	1.665
Culturally acceptable…….Culturally unacceptable	REO2	92	1	7	4.47	1.713
Egoism	**EGO**	**92**	**1**	**7**	**3.78**	**1.225**
Not self-promoting for Rose…….Self-promoting for Rose*	EGO1R	92	1	7	3.83	1.681
Personally satisfying for Rose…….Not personally satisfying for Rose	EGO2	92	1	7	3.74	1.722
Utilitarianism	**UTO**	**92**	**1**	**7**	**4.18**	**1.277**
Produces greatest utility……..Produces the least utility	UTO1	92	1	7	4.23	1.563
Minimizing benefits while maximizing harm……Maximizing benefits while minimizing harm*	UTO2R	92	2	7	4.14	1.688
Contractualism	**COO**	**92**	**1**	**7**	**4.67**	**1.467**
Violating an unwritten contract…….Not violating an unwritten contract*	COO1R	92	1	7	4.68	1.482
Violating an unspoken promise…….Not violating an unspoken promise	COO2R	92	1	7	4.66	1.485

*****Scores for the items were reverse coded.

Table 5.19 summarizes the perceptions of respondents on their ethical sensitivity based on five moral philosophies of MES with regard to the understating income scenario. Overall, comparable to the scenario of over claiming a tax expense, respondents evaluated moderately each of the moral dimensions since

most of the means were near to the mid-point scales. The overall mean of Moral Equity dimension of 5.13 demonstrates that respondents perceived the act of omitting income of $2,000 for tax purposes was highly unjust, unfair, not morally right and not acceptable to their family. Respondents also believed that the act of understating income was traditionally and culturally unacceptable based on the overall mean of Relativism of 4.57.

Based on the overall mean of Egoism of 3.99, respondents in the study also indicated that understating income for tax purpose was unethical since it supported self-interest. Respondents in the study were also of the view that understating income of $2,000 for tax purposes was not providing the greatest benefits for the greatest number of people and thus did not maximize benefits over harm. This was demonstrated by the overall mean of Utilitarianism of 4.17. The overall mean of 4.76 of Contractualism dimension also suggests that respondents regard the understating income for tax purpose described in the scenario as violating the social contract and therefore, deemed unethical.

Table 5.19 Descriptive statistics on measures of ethical sensitivity (Understating income scenario) – Malaysia

Measures	Code	N	Min	Max	Mean	Std. Dev.
In your opinion, Adam's decision to omit the $2,000 cash sale is:						
Moral Equity	**MEU**	**92**	**1**	**7**	**5.13**	**1.340**
Just…….Unjust	MEU1	92	1	7	5.09	1.559
Fair…….Unfair	MEU2	92	1	7	5.13	1.499
Morally right …….Not morally right	MEU3	92	2	7	5.46	1.370
Acceptable to my family…….Not acceptable to my family	MEU4	92	1	7	4.85	1.564
Relativism	**REU**	**92**	**1**	**7**	**4.57**	**1.516**
Traditionally acceptable…….Traditionally unacceptable	REU1	92	1	7	4.51	1.593
Culturally acceptable…….Culturally unacceptable	REU2	92	1	7	4.62	1.616
Egoism	**EGU**	**92**	**1**	**7**	**3.99**	**1.063**
Not self-promoting for Adam…….Self-promoting for Adam*	EGU1R	92	1	7	4.00	1.534
Personally satisfying for Adam…….Not personally satisfying for Adam	EGU2	92	1	7	3.99	1.674
Utilitarianism	**UTU**	**92**	**1**	**7**	**4.17**	**1.221**
Produces greatest utility……..Produces the least utility	UTU1	92	1	7	4.23	1.563
Minimizing benefits while maximizing harm……Maximizing benefits while minimizing harm*	UTU2R	92	2	7	4.11	1.627
Contractualism	**COU**	**92**	**1**	**7**	**4.76**	**1.472**
Violating an unwritten contract…….Not violating an unwritten contract*	COU1R	92	1	7	4.78	1.496
Violating an unspoken promise…….Not violating an unspoken promise	COU2R	92	1	7	4.73	1.505

*Scores for the items were reverse coded.

5.2.4.2 New Zealand

In this section, the New Zealand respondents' opinions on culture, the TPB items and ethical sensitivity in tax compliance are presented using descriptive statistics. The descriptive statistics are set out in Table 5.20 to Table 5.24.

(a). Measures of culture

Table 5.20 presents the perceptions of respondents from New Zealand on culture and tax compliance behaviour using Hofstede's (1980) National Cultural Dimensions. Similar to Malaysia, to interpret the results, the lower are the mean values, indicates higher disagreement on the influence of culture in complying with the tax law. Comparable to Malaysia, the overall results suggest that respondents have mixed opinions on the influence of Power Distance, Individualism, Masculinity and Uncertainty Avoidance in complying with the tax law.

The overall mean of Power Distance of 3.86 reveals that there was a low gap of Power Distance between the junior and their superior in the study when complying with the tax law. With regard to the Individualistic attribute, the responses were mixed with the means ranging from 2.22 to 4.51. The overall mean of 3.36, however, suggests that respondents were more inclined towards collectivist characteristic in their tax compliance behaviour while performing their roles as tax agents. Likewise, the means for Masculinity measures were mixed, but they were moving towards a higher Femininity culture in complying with the tax law. With an overall mean of 4.67, this suggests that respondents in the study prone to regard high Uncertainty Avoidance culture in complying with the tax law while performing their engagement roles as tax agents.

Table 5.20 Descriptive statistics on measures of culture – New Zealand

Measures	Code	N	Min	Max	Mean	Std. Dev.
Power Distance	**PD**	**119**	**1**	**7**	**3.86**	**0.982**
A junior staff should follow the instructions from his/her superior in complying with the tax law	PD1	119	1	7	4.96	1.554
A junior staff should feel afraid to disagree with his/her superior in complying with the tax law	PD2	119	1	6	2.77	1.324
Most of the time, a superior is expected to tell his/her junior staff on what to do in complying with the tax law	PD3	119	1	7	4.03	1.576
A junior staff should always be involved in the decision making when dealing with client's tax matters *	PD4R	119	1	7	3.69	1.431
Individualism	**IND**	**119**	**1**	**7**	**3.36**	**0.953**
The benefits that we as a society could enjoy from the amount of tax collected is very important to me *	IND1R	119	1	6	2.22	0.984
When complying with the tax law, I only consider the effect to my client	IND2	119	1	7	4.12	1.757
I do not care whether or not the society would benefit from the amount of tax collected as long as I could enjoy the tax benefit	IND3	119	1	7	2.59	1.421
I would consider the long term effect to the society when complying with the tax law*	IND4R	119	1	7	4.51	1.588
Masculinity	**MAS**	**119**	**1**	**7**	**3.98**	**0.811**
I would rather challenge the tax authority than negotiate with them in a tax lawsuit	MAS1	119	1	7	3.44	1.720
I always feel confident with the decision that I make when complying with the tax law	MAS2	119	1	7	5.17	1.209
I prefer to challenge the tax authority's decision rather than negotiate with them	MAS3	119	1	5	2.59	1.120
I always feel confident to make my own decisions while dealing with my client's tax matter	MAS4	119	2	7	4.72	1.346
Uncertainty Avoidance	**UAV**	**119**	**1**	**7**	**4.67**	**0.910**
The more precise the tax law, the better	UAV1	119	2	7	5.88	1.173
I do not mind having differences in tax judgments with the tax authority. *	UAV2R	119	1	7	4.02	1.722
When complying with the tax law, I avoid taking any tax risk since a tax risk could cause unfavourable effect	UAV3	119	1	7	4.12	1.541
When complying with the tax law, a tax risk is an opportunity. *	UAV4R	119	2	7	4.68	1.327

* Scores for the items were reverse coded

(b). Measures of Theory of Planned Behaviour items

Table 5.21 outlines the results from the descriptive statistics analysis for TPB items with respect to overstating tax expenses scenario. Similar to the Malaysian respondents, to interpret the results, the lower are the means of Intention, Attitude and Subjective Norms, suggests the less possibility to over claim tax expenses resulting in complying with the tax law. On the other hand, the lower the mean of Perceived Behavioural Control indicates greater control to over claim tax expenses resulting in noncompliance.

The overall results suggest that respondents in the study were less likely to overstate tax expenses in complying with the tax law. Intention to overstate tax expenses recorded an overall mean of 2.10, suggesting a low possibility of respondents to overstate tax expenses. Respondents also indicated their unfavourable perceptions towards overstating tax expenses with an overall mean of attitude of 2.25. Respondents in the study were also of the view that people who are important to them disapproved the act of overstating tax expenses. This could be evidenced from the overall mean of Subjective Norms of 2.67. With regard to Perceived Behavioural Control, the overall mean of 2.97 suggests that respondents believed they have high control to overstate tax expenses indicating the tendency to noncompliance.

Table 5.21 Descriptive statistics on measures of Theory of Planned Behaviour items (Overstating tax expenses scenario) – New Zealand

Measures	Code	N	Min	Max	Mean	Std. Dev.
Intention	**INO**	**119**	**1**	**7**	**2.10**	**1.353**
If I had the opportunity, I would overstate the business travelling expenses in the tax return* (Likely…Unlikely)	INO1R	119	1	7	2.06	1.714
I would never overstate the business travelling expenses claimed in the tax return (True…False)	INO2	119	1	7	2.39	1.708
In the future, I may overstate the business travelling expenses in the tax return (True…False)	INO3R	119	1	7	1.86	1.355
Attitude	**ATO**	**119**	**1**	**7**	**2.25**	**1.230**
For me to overstate the business travelling expenses claimed in the tax return is* (Good…Bad)	ATO1R	119	1	7	1.72	1.157
For me to overstate the business travelling expenses in the tax return is (Worthless…Useful)	ATO2	119	1	7	2.61	1.642
For me to overstate the business travelling expenses in the tax return is (Harmful…Beneficial)	ATO3	119	1	7	2.43	1.619
Subjective norms	**SNO**	**119**	**1**	**7**	**2.67**	**1.399**
Most of people important to me think that I should overstate the business travelling expenses* (Agree…Disagree)	SNO1R	119	1	6	2.04	1.399
Most of people important to me will look down at me if I overstate the business travelling expenses in the tax return (Likely…Unlikely)	SNO2	119	1	7	3.04	1.955
No one who is important to me thinks it is OK to overstate the business travelling expenses in the tax return (Agree…Disagree)	SNO3	119	1	7	2.93	1.943
Perceived Behavioural Control	**PBO**	**119**	**1**	**7**	**2.97**	**1.290**
For me to overstate the business travelling expenses in the tax return is (Easy…Difficult)	PBO1	119	1	7	4.45	2.396
With my expertise, I could easily overstate the business travelling expenses in the tax return if I wanted to (Agree…Disagree)	PBO2	119	1	7	2.32	1.850
How much control do you have over overstating the business travelling expenses in the tax return (Complete control…Absolutely no control)	PBO3	119	1	7	2.14	1.367

*Scores for the items were reverse coded.

Similar to the Malaysian respondents, the New Zealand respondents were also provided with an understating income scenario to examine their tax compliance behaviour. Table 5.22 exhibits the descriptive statistics of TPB items in the case of understating income for tax purposes. Comparable to the first scenario, the lower are the means of Intention, Attitude and Subjective Norms, suggests a less possibility to understate income and thus promotes tax compliance. On the contrary, the lower is the mean of Perceived Behavioural Control indicates greater control to understate income leading to noncompliance.

Overall, the results suggest that respondents in the study were less likely to understate income of $2,000 in their tax computation. For instance, intention to understating income documented an overall mean of 1.77, suggesting low possibility of respondents to understate income. The overall mean of attitude of 2.24 indicates the respondents' unfavourable perceptions towards understating income. Respondents in the study also had the opinion that people who are important to them did not favour understating income behaviour which could be seen from the overall mean of Subjective Norms of 2.42. Notwithstanding that, respondents believed they had the control to understate income based on the overall mean of Perceived Behavioural Control of 2.82 which could result in noncompliance.

Table 5.22 Descriptive statistics on measures of Theory of Planned Behaviour (Understating income scenario) – New Zealand

Measures	Code	N	Min	Max	Mean	Std. Dev.
Intention	**INU**	**119**	**1**	**7**	**1.77**	**1.146**
If I had the opportunity I would omit the $2,000 cash sale from the tax computation.* (Likely…Unlikely)	INU1R	119	1	7	1.55	1.212
I would never omit the $2,000 cash sale from the tax computation (True…False)	INU2	119	1	7	2.04	1.709
In the future, I may omit the $2,000 cash sale from the tax computation* (True…False)	INU3R	119	1	7	1.71	1.271
Attitude	**ATU**	**119**	**1**	**7**	**2.24**	**1.214**
For me to omit the $2,000 cash sale from the tax computation is (Good…Bad)	ATU1R	119	1	5	1.36	0.686
For me to omit the $2,000 cash sale from the tax computation is (Worthless…Useful)	ATU2	119	1	7	2.98	2.095
For me to omit the $2,000 cash sale from the tax computation is (Harmful…Beneficial)	ATU3	119	1	7	2.37	1.808
Subjective norms	**SNU**	**119**	**1**	**7**	**2.42**	**1.421**
Most of people important to me think I should omit the $2,000 cash sale from the tax computation* (Agree….Disagree)	SNU1R	119	1	7	2.15	1.629
Most people who are important to me will look down at me if I omit the $2,000 cash sale from the tax computation (Likely…Unlikely)	SNU2	119	1	7	2.66	1.866
No one who is important to me thinks it is OK to omit the $2,000 cash sale from the tax computation (Agree…Disagree)	SNU3	119	1	7	2.45	1.817
Perceived Behavioural Control	**PBO**	**119**	**1**	**7**	**2.82**	**1.341**
For me to omit the $2,000 cash sale from the tax computation is (Easy…Difficult)	PBU1	119	1	7	4.27	2.603
With my expertise, I could easily omit the $2,000 cash sale from the tax computation if I wanted to (Agree…Disagree)	PBU2	119	2	7	2.04	1.564
How much control do you have over omitting the $2,000 cash sale from the tax computation? (Complete control…Absolutely no control)	PBU3	119	1	7	2.13	1.507

*Scores for the items were reverse coded.

c. Measures of ethical sensitivity

Table 5.23 summarizes the perceptions of respondents from New Zealand on ethical sensitivity and tax compliance behaviour. The similar scenario of overstating tax expenses used to measure TPB was tested on ethical sensitivity of tax agents in the study. The overall results indicate that respondents evaluated positively their ethical sensitivity with regard to overstating tax expense based on the overall means of each moral dimension. The overall mean of Moral Equity of 6.00 suggests that respondents regard overstating tax expenses as highly unjust, unfair, not morally right and not acceptable to their family. With regard to Relativism, the overall mean of 5.04 suggests that respondents viewed overstating tax expenses as traditionally and culturally unacceptable. The overall mean value of Egoism of 2.95 reflects respondents' perception towards overstating tax expense as unethical since it only benefitted one own self-interest.

Respondents also perceived overstating a tax expense as unethical since it breached the Utilitarian moral philosophy. The overall mean value of Utilitarianism of 4.50 indicates that the act of overstating a tax expense did not produce the greatest utility for the greatest number of people or maximize benefits over harm to all parties involved. With an overall mean value of 5.03 for the Contractualism dimension, respondents were of the view that overstating tax expense was unethical since it had dishonoured the unwritten contract and violated unwritten promise.

Table 5.23 Descriptive statistics on measures of ethical sensitivity (Overstating tax expenses scenario) – New Zealand

Measures	Code	N	Min	Max	Mean	Std. Dev.
In your opinion, Rose's decision to overstate the business travelling expenses is:						
Moral Equity	**MEO**	**119**	**1**	**7**	**6.00**	**1.114**
Just…….Unjust	MEO1	119	1	7	5.87	1.443
Fair…….Unfair	MEO2	119	1	7	5.92	1.348
Morally right …….Not morally right	MEO3	119	1	7	6.22	1.151
Acceptable to my family…….Not acceptable to my family	MEO4	119	2	7	5.97	1.311
Relativism	**REO**	**119**	**1**	**7**	**5.04**	**1.682**
Traditionally acceptable…….Traditionally unacceptable	REO1	119	1	7	5.08	1.778
Culturally acceptable…….Culturally unacceptable	REO2	119	1	7	5.00	1.707
Egoism	**EGO**	**119**	**1**	**7**	**2.95**	**1.335**
Not self-promoting for Rose…….Self-promoting for Rose*	EGO1R	119	1	7	2.66	1.856
Personally satisfying for Rose…….Not personally satisfying for Rose	EGO2	119	1	7	3.24	1.982
Utilitarianism	**UTO**	**119**	**1**	**7**	**4.50**	**1.363**
Produces greatest utility……..Produces the least utility	UTO1	119	1	7	4.47	1.716
Minimizing benefits while maximizing harm……Maximizing benefits while minimizing harm*	UTO2R	119	1	7	4.54	1.706
Contractualism	**COO**	**119**	**1**	**7**	**5.03**	**1.768**
Violating an unwritten contract…….Not violating an unwritten contract*	COO1R	119	1	7	5.08	1.867
Violating an unspoken promise…….Not violating an unspoken promise	COO2R	119	1	7	4.98	1.761

*Scores for the items were reverse coded.

Table 5.24 presents the descriptive statistics for the second scenario, understating income and ethical sensitivity of New Zealand respondents. Similar to

the first scenario, respondents assessed the morality of understating income with high ethical sensitivity based on the overall mean values of each ethical dimension. Referring to the overall mean of Moral Equity of 6.66, it could be suggested that respondents in the study perceived understating income for tax purposes, in this case of $2,000, as unethical since it violated the principles of moral equity.

Respondents also had the view that understating income for tax purposes was traditionally and culturally unacceptable. This was confirmed by the overall mean of Relativisim of 5.67. Understating income for tax purposes was also regarded as unethical based on the overall mean value of Egoism of 2.67, indicating that understating income would only fulfil one's self-interest. Equally, respondents were of the opinion that understating income would not result into having the greatest utility for the greatest number of people or maximizing benefits over minimizing harm for all parties involved. This could be evidenced from the overall mean of Utilitarianism of 4.72. With the overall mean value of 5.42, respondents perceived understating income as violating the social contract under the Utilitarian ethical dimension, resulting into unethical conduct.

Table 5.24 Descriptive statistics on measures of ethical sensitivity (Understating income scenario) – New Zealand

Measures	Code	N	Min	Max	Mean	Std. Dev.
In your opinion, Adam's decision to omit the $2,000 cash sale is:						
Moral Equity	**MEU**	**119**	**1**	**7**	**6.66**	**0.754**
Just…….Unjust	MEU1	119	1	7	6.60	1.137
Fair…….Unfair	MEU2	119	1	7	6.66	0.932
Morally right …….Not morally right	MEU3	119	4	7	6.79	0.662
Acceptable to my family…….Not acceptable to my family	MEU4	119	2	7	6.57	0.962
Relativism	**REU**	**119**	**1**	**7**	**5.67**	**1.567**
Traditionally acceptable…….Traditionally unacceptable	REU1	119	2	7	5.72	1.746
Culturally acceptable…….Culturally unacceptable	REU2	119	2	7	5.62	1.589
Egoism	**EGU**	**119**	**1**	**7**	**2.67**	**1.457**
Not self-promoting for Adam…….Self-promoting for Adam*	EGU1R	119	1	7	2.19	1.395
Personally satisfying for Adam…….Not personally satisfying for Adam	EGU2	119	1	7	3.14	.630
Utilitarianism	**UTU**	**119**	**1**	**7**	**4.72**	**1.383**
Produces greatest utility……..Produces the least utility	UTU1	119	1	7	4.86	1.628
Minimizing benefits while maximizing harm……Maximizing benefits while minimizing harm*	UTU2R	119	2	7	4.58	1.902
Contractualism	**COU**	**119**	**1**	**7**	**5.42**	**1.747**
Violating an unwritten contract…….Not violating an unwritten contract*	COU1R	119	1	7	5.45	1.807
Violating an unspoken promise…….Not violating an unspoken promise	COU2R	119	1	7	5.39	1.738

*Scores for the items were reverse coded.

5.2.5 t-test analysis

The *t*-test analysis performed in the study allows the researcher to examine whether or not there is any significant difference of the overall perceptions of tax agents in the study from Malaysia and New Zealand on culture, TPB items, and ethical sensitivity in complying with the tax laws. The *t*-test analysis was used to test Hypotheses 1 to 3 set out in Section 3.2 in Chapter 3, Research Framework and Hypotheses Development of this thesis, and thus, answer the first three research questions of this study. For the TPB items and ethical sensitivity, the *t*-test was also performed on both overstating tax expense and understating tax income scenarios. The detailed results are provided in Appendix Q.

5.2.5.1 Culture and tax compliance behaviour

Table 5.25 set outs the results from the *t*-test analysis comparing Malaysian and New Zealand respondents on culture and tax compliance behaviour, indicating the means with the respective *p*-values. The *p*-values determine whether or not the perceptions of respondents from Malaysia and New Zealand differ significantly. The results indicate that the *p*-values for Power Distance, Individualism and Uncertainty Avoidance in complying with the tax laws are more than 0.05 indicating that the perceptions of Malaysian and New Zealand respondents with regards to these three items do not differ significantly. However, the *p*-value for Masculinity which is significant at $p \leq 0.01$ implies that tax agents from Malaysia and New Zealand differ in their perceptions on Masculinity and tax compliance.

Therefore, the null hypothesis stating that '*There is no significant difference between tax agents from Malaysia and New Zealand with regard to Hofstede's*

(1980) National Cultural Dimensions in complying with the tax law' is partially supported.

The means also suggest there is a higher tendency for tax agents in Malaysia to practise Power Distance and Masculinity in their ethical decision making approach while complying with the tax laws compared to tax agents in New Zealand. On the other hand, tax agents in New Zealand were prone to be more Individualistic and high in Uncertainty Avoidance in their approaches while complying with the tax laws compared to tax agents in Malaysia.

Table 5.25 Comparison between tax agents in Malaysia and New Zealand on Culture

	Malaysia		**New Zealand**		
Measures	**N**	**Mean**	**N**	**Mean**	***p*-value (two-tailed)**
Power Distance	92	3.92	119	3.86	.697
Individualism	92	3.24	119	3.36	.333
Masculinity	92	4.38	119	3.98	.000
Uncertainty Avoidance	92	4.51	119	4.67	.171

5.2.5.2 Theory of Planned Behaviour and tax compliance

Table 5.26 presents the results from comparing the perceptions of tax agents in Malaysia and New Zealand with respect to TPB items and over claiming tax expenses. The results indicate that all *p*-values for the TPB items are significantly different at $p \leq 0.01$. The results suggest that tax agents in Malaysia and New Zealand had different perceptions on intention, attitude, subjective norms and perceived behavioural control in overstating tax expense scenario.

Consequently, the null hypothesis stating '*There is no significant difference in the level of perceptions in relation to the intention to comply, attitudes towards behaviour, subjective norms and perceived behavioural control between tax agents in Malaysia and New Zealand in overstating tax expense scenario'* is completely rejected.

The mean values also indicate that tax agents in New Zealand were less likely to over claim tax expense compared to tax agents in Malaysia.

Table 5.26 Comparison between tax agents in Malaysia and New Zealand on Theory of Planned Behaviour Items (Overstating tax expenses scenario)

	Malaysia		New Zealand		
Measures	**N**	**Mean**	**N**	**Mean**	***p*-value (two-tailed)**
Intention	92	3.03	119	2.10	.000
Attitude	92	3.16	119	2.25	.000
Subjective Norms	92	3.74	119	2.67	.000
Perceived Behavioural Control	92	3.76	119	2.97	.000

Table 5.27 exhibits the results from comparing the means of perceptions on TPB items in understating income scenario between tax agents in Malaysia and New Zealand. The *p*-values for intention, attitude and subjective norms indicate that they are significant at $p \leq 0.01$ and $p \leq 0.05$ for perceived behavioural control. This indicates that the perceptions of tax agents in Malaysia and New Zealand with regard to intention, attitude, subjective norms and perceived behavioural control, were different.

Therefore, the null hypothesis stating that '*There is no significant difference in the level of perceptions in relation to the intention to comply, attitudes towards behaviour, subjective norms and perceived behavioural control between tax agents in Malaysia and New Zealand in understating income scenario'* can be rejected.

The mean values in Table 5.27 suggest that tax agents in New Zealand were more inclined to comply with the tax laws compared to tax agents in Malaysia.

Table 5.27 Comparison between Tax Agents in Malaysia and New Zealand on Theory of Planned Behaviour Items (Understating income scenario)

	Malaysia		New Zealand		
Measures	**N**	**Mean**	**N**	**Mean**	***p*-value (two-tailed)**
Intention	92	3.20	119	1.77	.000
Attitude	92	3.14	119	2.24	.000
Subjective Norms	92	3.74	119	2.42	.000
Perceived Behavioural Control	92	3.21	119	2.82	.045

5.2.5.3 Ethical Sensitivity

The results from the *t*-test analysis on the means of responses of tax agents in Malaysia and New Zealand, with regard to ethical sensitivity and overstating tax expenses, are displayed in Table 5.28 below. The results suggest that there is significant difference between tax agents in Malaysia and New Zealand in their perceptions of Moral Equity, Relativism and Egoism in overstating tax expenses. This is evidenced from the *p*-values of these three MES dimensions which are less than 0.05. As for Utilitarianism and Contractualism, the *p*-values of the means are more than 0.05, suggesting that tax agents in Malaysia and New Zealand had

similar perceptions on Utilitarianism and Contractualism dimensions in the overstating tax expenses scenario.

Based on the results, it could be suggested that the null hypothesis stating '*There is no significant difference in the level of perceptions between tax agents in Malaysia and New Zealand with regard to the dimensions of MES in overstating tax expenses scenario*' is not fully supported.

The null hypothesis is rejected for Moral Equity, Relativism and Egoism dimensions, and accepted for Utilitarianism and Contractualism dimensions. The means also suggest that tax agents in New Zealand have greater ethical sensitivity in complying with the tax law compared to tax agents in Malaysia.

Table 5.28 Comparison between Tax Agents in Malaysia and New Zealand on Ethical Sensitivity Overstating tax expenses scenario)

	Malaysia		**New Zealand**		
Measures	**N**	**Mean**	**N**	**Mean**	***p*-value (two-tailed)**
Moral Equity	92	4.87	119	6.00	.000
Relativism	92	4.44	119	5.04	.009
Egoism	92	3.78	119	2.95	.000
Utilitarianism	92	4.18	119	4.50	.084
Contractualism	92	4.67	119	5.03	.108

Table 5.29 outlines the results on the *t*-test analysis, comparing the means of perceptions on ethical sensitivity in understating income scenario between tax agents in Malaysia and New Zealand. The results indicate that all *p*-values are less than 0.05 implying that tax agents in Malaysia and New Zealand had different perceptions on the MES dimensions in under reporting income tax scenario. The

results also revealed that Moral Equity, Relativism and Egoism dimensions were significant at $p \leq 0.01$.

Consequently, there is sufficient support to reject the null hypothesis that *'There is no significant difference in the level of perceptions between tax agents in Malaysia and New Zealand with regard to the dimensions of MES in understating income scenario'.*

Similar to the overstating income tax scenario, the means of the ethical dimensions suggest that tax agents in New Zealand have higher ethical sensitivity in complying with the tax laws compared to tax agents in Malaysia.

Table 5.29 Comparison between Tax Agents in Malaysia and New Zealand on Ethical Sensitivity (Understating income scenario)

	Malaysia		New Zealand		
Measures	**N**	**Mean**	**N**	**Mean**	***p*-value (two-tailed)**
Moral Equity	92	5.13	119	6.66	.000
Relativism	92	4.57	119	5.67	.000
Egoism	92	3.99	119	2.67	.000
Utilitarianism	92	4.17	119	4.72	.002
Contractualism	92	4.76	119	5.42	.004

5.2.5.4 Summary of the results from the preliminary hypotheses tests

The preliminary hypotheses tests were performed to answer the first three research questions on whether or not tax agents in Malaysia and New Zealand have similar perceptions on culture, TPB items and ethical sensitivity in their tax compliance behaviour. It is interesting to note that the results from the *t*-test analyses revealed a number of similarities and differences of their perceptions towards culture, TPB items and ethical sensitivity in complying with the tax laws.

Table 5.30 Summary of Results for Preliminary Hypotheses Tests

Research Questions	**Hypotheses**	**Findings**
1. Do tax agents in Malaysia and New Zealand indicate the same level of perceptions with regard to Hofstede's (1980) National Cultural Dimensions in complying with the tax law?	There is no significant difference between tax agents in Malaysia and New Zealand with regard to Hofstede's (1980) National Cultural Dimensions in complying with the tax law	Partially supported. Accept for Power Distance, Individualism and Uncertainty Avoidance. Reject for Masculinity.
2. Do tax agents in Malaysia and New Zealand have the same level of perceptions in relation to the TPB elements in complying with the tax law while performing their roles?	2_a : There is no significant difference in the level of perceptions in relation to the intention to comply, attitudes towards behaviour, subjective norms and perceived behavioural control between tax agents in Malaysia and New Zealand in overstating tax expense scenario	Rejected
	2_b: There is no significant difference in the level of perceptions in relation to the intention to comply, attitudes towards behaviour, subjective norms and perceived behavioural control between tax agents in Malaysia and New Zealand in understating income scenario	Rejected
3. Do tax agents in Malaysia and New Zealand have the same level of perceptions in relation to the dimensions in Multidimensional Ethics Scale (MES)?	3_a: There is no significant difference in the level of perceptions between tax agents in Malaysia and New Zealand with regard to the dimensions of MES in overstating tax expense scenario	Partially supported. Accept for Utilitarianism and Contractualism dimensions. Reject for Moral Equity, Relativism and Egoism dimensions.
	3_b: There is no significant difference in the level of perceptions between tax agents in Malaysia and New Zealand with regard to the dimensions of MES in understating income scenario	Rejected

5.3 Summary

In this chapter, the results from the preliminary analysis were discussed involving two main parts, which were survey response analysis and preliminary analysis. The survey response analysis covered findings on response rate, demographic background, response representativeness and nonresponse bias. The preliminary analysis part focused on data screening, common method bias, social desirability bias, descriptive statistics and *t*-test analysis.

It is important to note that the current study only obtained low response rates for Malaysia and New Zealand. Despite the low response rate, this did not hinder further statistical analysis to be performed given that the number of samples for each country fulfilled the requirement of the relevant statistical tests employed in the study. In addition, the sample was not truly representive of the population, especially in the case of Malaysia.

As a result of the low response rates and lack of representativeness of the observed sample, compared to total population, generalization of the findings from this study need to be treated with caution. Notwithstanding that, given the limited study on tax agents' ethical decision making in Malaysia and New Zealand, the findings from this study are still beneficial in understanding the compliance behaviour of tax agents while performing their engagement roles.

A test on nonresponse bias was also conducted between early and late respondents. The results indicate that nonresponse bias was not a serious threat in this study. However, given the number of the sample was considered as small to

moderate,[27] the absence of nonresponse bias could not be fully guaranteed. The treatment for missing data using EM method, checking for outliers and testing for normality were discussed in the screening data section.

The results from the common method bias test conducted in the study suggest that common method bias was not a serious issue. Notwithstanding that, it was not fully confirmed that the study is free from any bias. The results from the social desirability bias test, for instance, indicate that social desirability bias exists in the survey responses.

The descriptive statistics provide some overview of the perceptions of respondents on the selected factors examined in this study. Comparisons on the responses between respondents from Malaysia and New Zealand were tested using *t*-test analysis. It is interesting that there were some similarities and differences between respondents from Malaysia and New Zealand in their perceptions towards culture, the TPB items and ethical sensitivity in complying with the tax laws.

The results suggest that Malaysian respondents favour to be in Power Distance and Masculinity positions in complying with the tax law while performing their engagement roles. New Zealand respondents were more prone to be individualistic and favour uncertainty avoidance cultural attributes in complying with the tax law.

It is also noted that New Zealand respondents were less likely to overstate tax expenses and understate income tax compared to Malaysian respondents. New

[27] In general any sample of at least 30 is normally acceptable for statistical analysis due to the central limit theorem (Moore & McCabe, 2006; Lind et al., 2008).

Zealand respondents also had higher ethical sensitivity in both tax scenarios compared to Malaysian respondents. The next chapter explains the model assessment results using the PLS analysis.

CHAPTER 6

MODEL EVALUATION

6.0 Introduction

This chapter presents the results from the model evaluation conducted as part of this study. Specifically, the discussions of the chapter focus on the measurement model at the first order factor by examining the reliability and validity of the indicators and constructs. The discussion also covers the second order factor model and structural model. Finally, the results from the hypotheses testing are presented. The chapter ends with a summary.

6.1 Measurement model – First order factor model

In the measurement model, the reliability and validity of the measures in each construct are determined to evaluate whether or not the measures represent the constructs. In this study, six constructs of: intention, attitudes, subjective norms, perceived behavioural control, ethical sensitivity and culture, are developed. Since this study is comparative in nature, the reliability and validity tests have to be performed simultaneously to ensure they are acceptable in both tax environments.

6.1.1 Reliability of reflective constructs

The reliability of reflective construct as discussed in Chapter 4, Research Methodology could be determined at two stages, at the individual level and construct level. At the individual level, the measure is tested on its factor loadings and overall consistency of the construct (composite reliability) is used at the construct level (Henseler et al., 2009; Hair et al., 2012; Hair et al., 2013).

6.1.1.1 Indicators' reliability

Table 6.1 to Table 6.4 present the loadings, *t*-values and level of significance of each measure used in the study. This step is important to determine which measures are considered as significant for the study. For instance, based on the reliability test, not all measures for culture are included in the revised model later on. Similar approaches were taken by prior studies using PLS in tax context such as Saad (2011) and Smart (2012) in determining which measures should be retained in the model.

As discussed earlier in Chapter 4, section 4.7.8.3, there is no absolute threshold for factor loadings in PLS. While the common acceptable loading is 0.70, a factor loading of 0.50 is also acceptable (Hair et al., 2012). In studies involving newly developed measures, such as this study, a loading of 0.4 is still acceptable (Henseler et al., 2009; Hair et al., 2012). In fact, Hair et al. (2011) argue that, sometimes a weak indicator has to be retained to ensure content validity. The results in Table 6.1 indicate that the factor loadings vary from 0.989 to -0.381. In a reflective construct, a measure is a candidate for deletion if its deletion contributes to a better value of average variance extracted (AVE). However, deletion of a measure needs to be done with caution because while a single-item measure is allowed in PLS, it may prone to bias in estimating the measurement and structural models. In Table 6.1, several items in italics are candidates for deletion at the next level.

Table 6.1 Reflective constructs, measures and loadings for overstating tax expense scenario (original model)

Constructs	Malaysia			New Zealand		
	PLS loadings	***t*-values**	**Level of sig.**	**PLS loadings**	***t*-values**	**Level of sig.**
Power Distance (PD)	AVE =0.418			AVE =0.450		
PD1	0.535	1.681	0.10	0.715	3.007	0.001
PD2	0.790	3.829	0.001	0.702	3.360	0.001
PD3	0.866	4.448	0.001	0.788	3.796	0.001
PD4R	*-0.102*	*0.301*	*Not sig.*	*0.418*	*1.922*	*0.1*
Individualism (IND)	AVE =0.231			AVE =0.442		
IND1R	0.606	1.578	Not sig.	0.730	4.839	0.001
IND2	*0.108*	*0.267*	*Not sig.*	*0.328*	*1.435*	*Not sig.*
IND3	0.706	1.945	0.10	0.865	9.905	0.001
IND4R	*0.220*	*0.526*	*Not sig.*	*0.618*	*4.453*	*0.001*
Masculinity (MAS)	AVE =0.278			AVE =0.316		
MAS1	*-0.305*	*0.678*	*Not sig.*	*-0.232*	*0.771*	*Not sig.*
MAS2	0.677	1.907	0.10	0.553	2.336	0.05
MAS3	*-0.200*	*0.322*	*Not sig.*	*-0.052*	*0.184*	*Not sig.*
MAS4	0.739	1.930	0.10	0.949	3.336	0.001
Uncertainty Avoidance (UAV)	AVE = 0.271			AVE = 0.383		
UAV1	0.610	1.435	Not sig.	0.634	2.433	0.05
UAV2R	*-0.368*	*0.761*	*Not sig.*	*0.769*	*3.396*	*0.001*
UAV3	0.668	1.848	0.10	0.652	2.960	0.005
UAV4R	*0.359*	*1.047*	*Not sig.*	*0.336*	*1.153*	*Not sig.*
Intention (INO)	AVE =0.814			AVE =0.722		
INO1R	0.909	35.348	0.001	0.907	43.574	0.001
INO2	0.897	37.937	0.001	0.758	12.196	0.001
INO3R	0.900	39.762	0.001	0.879	26.884	0.001
Attitude (ATO)	AVE =0.832			AVE =0.687		
ATO1R	0.913	46.995	0.001	0.835	32.298	0.001
ATO2	0.907	34.817	0.001	0.790	14.375	0.001
ATO3	0.916	32.708	0.001	0.860	30.074	0.001
Subjective norms (SNO)	AVE =0.431			AVE = 0.623		
SNO1R	0.924	23.075	0.001	0.836	24.128	0.001
SNO2	0.639	4.351	0.001	0.756	11.828	0.001
SNO3	*0.174*	*0.733*	*Not sig.*	*0.772*	*13.524*	*0.001*
Perceived behavioural control (PBO)	AVE = 0.326			AVE = 0.318		
PBO1	0.841	1.716	0.10	-0.393	0.847	*Not sig.*
PBO2	0.358	1.095	Not sig.	0.147	0.611	*Not sig.*
PBO3	*-0.381*	*0.755*	*Not sig.*	*0.882*	*1.730*	*0.10*
Moral Equity (MEO)	AVE =0.789			AVE = 0.719		
MEO1	0.925	42.687	0.001	0.900	26.054	0.001
MEO2	0.910	26.282	0.001	0.941	70.980	0.001
MEO3	0.906	40.363	0.001	0.798	8.837	0.001
MEO4	0.806	12.677	0.001	0.737	10.262	0.001
Relativism (REO)	AVE = 0.901			AVE = 0.931		
REO1	0.951	48.852	0.001	0.985	102.304	0.001
REO2	0.948	58.992	0.001	0.965	89.410	0.001
Egoism (EGO)	AVE =0.518			AVE =0.485		

EGO1R	0.639	1.814	0.10	0.487	1.314	Not sig.
EGO2	0.792	2.639	0.01	0.856	2.721	0.01
Utilitarianism (UTO)	AVE =0.616			AVE =0.634		
UTO1	0.805	7.088	0.001	0.808	7.241	0.001
UTO2R	0.764	5.167	0.001	0.785	5.869	0.001
Contractualism (COO)	AVE =0.978			AVE =0.950		
COO1R	0.989	260.835	0.001	0.978	18.425	0.001
COO2R	0.988	221.215	0.001	0.972	15.951	0.001

Note: Items in italics are candidates for deletion.

The deletion of some measures in Table 6.1 have resulted in better AVEs for majority of the constructs in which they exceeded the threshold for AVE of 0.50 as indicated in Table 6.2. However, there are constructs (IND, PBO and EGO) which are marginally below 0.50. Similar findings have been documented by Duarte and Raposo (2010) and Smart (2012) in evaluating the loadings of the constructs in their studies. Duarte and Raposo (2010), for instance, retained a construct with an AVE of 0.361 in their measurement model. Thus, after considering the contribution to content validity, all other measures were retained as presented in Table 6.2.

Table 6.2 Reflective constructs, measures and loadings for overstating tax expense scenario (revised model)

Constructs	Malaysia			New Zealand		
	PLS loadings	***t*-values**	**Level of sig.**	**PLS loadings**	***t*-values**	**Level of sig.**
Power Distance (PD)	AVE = 0.554			AVE = 0.600		
PD1	0.540	2.457	0.05	0.762	3.346	0.001
PD2	0.788	4.706	0.001	0.738	3.201	0.005
PD3	0.868	6.797	0.001	0.821	4.158	0.001
Individualism (IND)	AVE = 0.470			AVE = 0.714		
IND1R	0.659	2.346	0.05	0.753	4.668	0.001
IND3	0.711	2.598	0.05	0.927	15.046	0.001
Masculinity (MAS)	AVE = 0.608			AVE = 0.641		
MAS2	0.727	3.723	0.001	0.966	17.509	0.001
MAS4	0.829	4.262	0.001	0.811	2.825	0.01
Uncertainty Avoidance (UAV*)*	AVE = 0.528			AVE = 0.560		
UAV1	0.681	2.396	0.05	0.811	2.825	0.01
UAV3	0.770	2.768	0.01	0.729	2.535	0.05
Intention (INO)	AVE = 0.814			AVE = 0.722		
INO1R	0.909	35.795	0.001	0.908	45.414	0.001
INO2	0.896	36.767	0.001	0.756	12.108	0.001
INO3R	0.901	40.712	0.001	0.878	26.640	0.001
Attitude (ATO)	AVE = 0.832			AVE = 0.687		
ATO1R	0.913	46.463	0.001	0.835	32.254	0.001
ATO2	0.907	34.413	0.001	0.789	14.536	0.001
ATO3	0.916	32.541	0.001	0.860	30.081	0.001
Subjective norms (SNO)	AVE = 0.631			AVE = 0.689		
SNO1R	0.934	28.668	0.001	0.860	22.455	0.001
SNO2	0.624	4.276	0.001	0.799	13.244	0.001
Perceived behavioural control (PBO)	AVE = 0.540			AVE = 0.476		
PBO1	0.945	5.288	0.001	0.974	3.949	0.001
PBO2	0.433	1.666	0.100	0.056	0.240	Not sig.
Moral Equity (MEO)	AVE = 0.790			AVE = 0.719		
MEO1	0.925	42.901	0.001	0.900	26.594	0.001
MEO2	0.910	26.051	0.001	0.941	70.899	0.001
MEO3	0.906	39.985	0.001	0.798	8.754	0.001
MEO4	0.806	12.872	0.001	0.737	10.099	0.001
Relativism (REO)	AVE = 0.901			AVE = 0.931		
REO1	0.951	46.538	0.001	0.965	104.287	0.001
REO2	0.948	59.329	0.001	0.965	89.637	0.001
Egoism (EGO)	AVE = 0.518			AVE = 0.485		
EGO1R	0.640	2.371	0.05	0.486	1.710	0.10
EGO2	0.792	3.350	0.01	0.857	3.518	0.001
Utilitarian (UTO)	AVE = 0.616			AVE = 0.634		
UTO1	0.805	6.875	0.001	0.808	7.223	0.001
UTO2R	0.764	5.164	0.001	0.785	5.915	0.001
Contractualism (COO)	AVE = 0.978			AVE = 0.950		
COO1R	0.989	211.155	0.001	0.978	19.572	0.001
COO2R	0.988	222.292	0.001	0.972	15.270	0.001

Similar approaches have been applied to assess the reliability of measures for the understating income scenario. The results in Table 6.3 suggest that some measures did not meet the required threshold and became candidates for deletion in the next process. Overall, the factor loadings for the measures in understating income scenario vary from 0.999 to - 0.527.

Table 6.3 Reflective construct, measures and loadings for understating income scenario (original model)

Constructs	Malaysia			New Zealand		
	PLS loadings	***t*-values**	**Level of sig.**	**PLS loadings**	***t*-values**	**Level of sig.**
Power Distance (PD)	AVE = 0.347			AVE = 0.358		
PD1	*0.338*	*1.528*	*Not sig.*	*0.503*	*1.955*	*0.10*
PD2	0.658	3.157	0.005	0.801	3.375	0.001
PD3	0.878	4.946	0.001	0.468	1.869	0.10
PD4R	*0.261*	*1.095*	*Not sig.*	*0.563*	*2.452*	*0.05*
Individualism (IND)	AVE = 0.276			AVE = 0.408		
IND1R	0.680	2.605	0.01	0.674	3.821	0.001
IND2	*-0.239*	*0.982*	*Not sig.*	*0.146*	*0.919*	*Not sig.*
IND3	0.668	2.549	0.05	0.922	14.702	0.001
IND4R	*0.370*	*1.553*	*Not sig.*	*0.553*	*3.383*	*0.001*
Masculinity (MAS)	AVE = 0.316			AVE = 0.300		
MAS1	*0.194*	*0.790*	*Not sig.*	*-0.527*	*2.506*	*0.05*
MAS2	0.762	3.322	0.005	0.450	1.867	0.10
MAS3	*-0.167*	*0.722*	*Not sig.*	*-0.097*	*0.515*	*Not sig.*
MAS4	0.785	3.220	0.005	0.843	6.089	0.001
Uncertainty Avoidance (UAV)	AVE = 0.245			AVE = 0.378		
UAV1	0.835	3.684	0.001	0.727	4.955	0.001
UAV2R	*-0.407*	*1.621*	*Not sig.*	*0.669*	*5.143*	*0.001*
UAV3	*-0.004*	*0.020*	*Not sig.*	*0.666*	*4.186*	*0.001*
UAV4R	0.343	1.345	Not sig.	0.303	1.619	Not sig.
Intention (INU)	AVE = 0.721			AVE = 0.667		
INU1R	0.902	51.765	0.001	0.841	16.244	0.001
INU2	0.788	10.359	0.001	0.777	12.298	0.001
INU3R	0.853	16.208	0.001	0.830	17.166	0.001
Attitude	AVE = 0.730			AVE = 0.545		
ATU1R	0.827	26.530	0.001	0.791	14.070	0.001
ATU2	0.877	23.853	0.001	0.631	6.888	0.001
ATU3	0.856	18.255	0.001	0.781	12.999	0.001
Subjective norms (SNU)	AVE = 0.420			AVE = 0.634		
SNU1R	0.825	8.685	0.001	0.657	4.898	0.001
SNU2	0.757	6.353	0.001	0.818	12.023	0.001
SNU3	*0.085*	*0.505*	*Not sig.*	*0.895*	*26.192*	*0.001*
Perceived Behavioural Control (PBU)	AVE = 0.476			AVE = 0.376		

PBU1	0.999	3.420	0.001	0.177	0.976	Not sig.
PBU2	*0.429*	*1.672*	*0.10*	*0.381*	*1.814*	*0.10*
PBU3	0.496	1.901	0.10	0.975	8.380	0.001
Moral Equity (MEU)	AVE = 0.801			AVE = 0.670		
MEU1	0.927	36.668	0.001	0.858	16.426	0.001
MEU2	0.954	81.190	0.001	0.820	6.725	0.001
MEU3	0.877	19.743	0.001	0.903	18.201	0.001
MEU4	0.815	13.623	0.001	0.675	4.663	0.001
Relativism (REU)	AVE = 0.892			AVE = 0.880		
REU1	0.942	22.074	0.001	0.958	18.800	0.001
REU2	0.948	44.555	0.001	0.917	11.183	0.001
Egoism (EGU)	AVE = 0.484			AVE = 0.539		
EGU1R	0.981	4.792	0.001	0.522	1.894	0.10
EGU2	0.068	0.252	Not sig.	0.897	3.868	0.001
Utilitarian (UTU)	AVE = 0.586			AVE = 0.610		
UTU1	0.767	6.223	0.001	0.722	5.294	0.001
UTU2R	0.764	5.237	0.001	0.836	10.257	0.001
Contractualism (COU)	AVE = 0.981			AVE = 0.971		
COU1R	0.981	109.508	0.001	0.988	180.621	0.001
COU2R	0.981	141.726	0.001	0.983	85.931	0.001

Note: Items in italics are candidates for deletion.

The same rules were applied to measures in the understating income scenario in retaining or deleting a particular measure. A majority of the items met the threshold value of at least 0.50. There are, however, items with low loadings, (PD3, UAV4R, PBU1, EGU2), yet these are retained to avoid the use of single-item measure in the measurement model. Furthermore, the values of AVEs for the respective constructs are still considered to be acceptable. Therefore, the items in Table 6.4 were all retained for further analysis.

Table 6.4 Reflective construct, measures and loadings for understating income scenario (revised model)

Constructs	Malaysia			New Zealand		
	PLS loadings	***t*-values**	**Level of sig.**	**PLS loadings**	***t*-values**	**Level of sig.**
Power Distance (PD)	AVE =0.683			AVE = 0.509		
PD2	0.662	3.496	0.001	0.990	4.048	0.001
PD3	0.964	11.222	0.001	0.196	0.688	Not sig.
Individualism (IND)	AVE = 0.470			AVE = 0.694		
IND1R	0.688	2.410	0.05	0.683	3.926	0.001
IND3	0.683	2.399	0.05	0.960	24.225	0.001
Masculinity (MAS)	AVE = 0.610			AVE = 0.642		
MAS2	0.776	3.416	0.001	0.592	2.335	0.05
MAS4	0.785	3.196	0.005	0.966	9.285	0.001
Uncertainty Avoidance (UAV)	AVE = 0.485			AVE = 0.503		
UAV1	0.845	3.450	0.001	0.976	6.805	0.001
UAV4R	0.506	1.748	0.10	0.231	0.967	Not sig.
Intention (INU)	AVE = 0.721			AVE = 0.666		
INU1R	0.903	53.300	0.001	0.843	17.580	0.001
INU2	0.788	10.442	0.001	0.778	12.270	0.001
INU3R	0.852	15.670	0.001	0.827	15.843	0.001
Attitude	AVE = 0.730			AVE = 0.545		
ATU1R	0.827	26.538	0.001	0.791	13.765	0.001
ATU2	0.879	23.993	0.001	0.630	6.726	0.001
ATU3	0.856	18.386	0.001	0.782	12.741	0.001
Subjective norms (SNU)	AVE = 0.630			AVE = 0.691		
SNU1R	0.822	8.789	0.001	0.747	4.792	0.001
SNU2	0.764	7.100	0.001	0.908	12.983	0.001
Perceived Behavioural Control (PBU)	AVE = 0.632			AVE = 0.505		
PBU1	0.999	3.886	0.001	0.105	0.547	Not sig.
PBU3	0.514	1.907	0.10	0.999	9.159	0.001
Moral Equity (MEU)	AVE = 0.801			AVE = 0.670		
MEU1	0.927	36.576	0.001	0.858	16.585	0.001
MEU2	0.954	82.517	0.001	0.820	6.718	0.001
MEU3	0.877	19.869	0.001	0.903	18.368	0.001
MEU4	0.815	13.911	0.001	0.674	4.624	0.001
Relativism (REU)	AVE = 0.892			AVE = 0.880		
REU1	0.942	21.657	0.001	0.958	18.394	0.001
REU2	0.948	56.029	0.001	0.917	10.892	0.001

Egoism (EGU)	AVE = 0.484			AVE = 0.538		
EGU1R	0.982	4.687	0.001	0.520	1.886	0.10
EGU2	0.068	0.253	Not sig.	0.898	3.931	0.001
Utilitarian (UTU)	AVE = 0.586			AVE = 0.610		
UTU1	0.767	6.089	0.001	0.720	5.050	0.001
UTU2R	0.764	5.239	0.001	0.838	10.320	0.001
Contractualism (COU)	AVE = 0.963			AVE = 0.971		
COU1R	0.981	113.185	0.001	0.988	199.130	0.001
COU2R	0.981	140.636	0.001	0.983	91.144	0.001

6.1.1.2 Internal consistency (Composite reliability)

As mentioned in section 4.7.8.3 of Chapter 4, once the indicators' reliability are satisfied, the next step is to test the overall internal consistency of the constructs by examining the composite reliability of the constructs. Fornell and Larcker (1981) suggest a threshold value of 0.70 for a construct to be included in the model. However, a value of 0.60 is considered as acceptable if the study involves newly developed measure, such as this study (Henseler et al., 2009; Hair et al., 2012). The results in Table 6.5 present the composite reliability for all constructs in both scenarios in Malaysia and New Zealand. The results indicate that majority of the constructs have high composite reliability, except for PD, UAV, PBO, PBU, which have marginally lower composite reliability than 0.60. However, to preserve the content validity, all constructs are retained.

Table 6.5 Composite reliability of the constructs

Construct	Overstating tax expense scenario		Understating income scenario	
	Malaysia	New Zealand	Malaysia	New Zealand
Power Distance (PD)	0.782	0.818	0.807	0.589
Individualism (IND)	0.639	0.831	0.639	0.815
Masculinity (MAS)	0.755	0.772	0.757	0.772
Uncertainty Avoidance (UAV)	0.690	0.746	0.639	0.594
Intention (INO/INU)	0.929	0.866	0.885	0.857
Attitudes (ATO/ATU)	0.936	0.868	0.890	0.780
Subjective norms (SNO/SNU)	0.766	0.816	0.773	0.816
Perceived Behavioural Control (PBO/PBU)	0.673	0.503	0.757	0.552
Moral Equity (MEO/MEU)	0.937	0.910	0.941	0.889
Relativism (REO/REU)	0.948	0.964	0.943	0.936
Egoism (EGO/EGU)	0.680	0.637	0.516	0.685
Utilitarian (UTO/UTU)	0.762	0.776	0.739	0.757
Contractualism (COO/COU)	0.988	0.974	0.981	0.985

6.1.2 Validity of constructs

As discussed in section 4.7.8.3 of Chapter 4, PLS applies a confirmatory factor analysis technique to confirm the strength of the measures by examining the convergent validity and discriminant validity.

6.1.2.1 Convergent validity (AVE)

The convergent validity is examined by observing the AVE values of all constructs. The convergent validity examines whether or not a set of measures

represent the same concept (unidimensionality). The AVEs for the study are presented in Table 6.2 for the overstating tax expenses and Table 6.4 for understating income. A majority of the AVEs met the threshold values of 0.50 except for a few constructs. While the acceptable value for AVE is 0.50, however, for studies which involved newly developed measures, a value of around 0.50 is still acceptable, as indicated in Duarte and Raposo (2010) and Smart (2012). Therefore, after considering the theoretical aspect of the study, all constructs are retained in the model.

6.1.2.2 Discriminant validity

The discriminant validity differentiates whether or not items are different among constructs. Two tests were used, the cross-loading and Fornell-Larcker (1981) criterion.

(a) Item cross-loadings

The cross-loadings approach test the existence of discriminant validity at the item level and in this test, all loadings for each measure should be higher than their cross-loadings. Table 6.6 to Table 6.9 present the loadings and cross-loadings of all measures in the overstating tax expense scenario and understating income scenario in Malaysia and New Zealand. The results indicate that all items loaded higher in their own measures compared to all their cross-loadings, except item perceived behavioural control (PBO) in overstating tax expense and items egoism (EGU2) and perceived behavioural control (PBU1) in understating income expense. However, since cross-loading is not the only test to examine discriminant

validity and is considered to be more liberal than the Fornell-Larcker (1981) test, all measures are retained.

Table 6.6 Item cross-loadings for overstating tax expenses scenario - Malaysia

	ATO	COO	EGO	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO1R	**0.91**	-0.26	-0.22	0.36	0.85	-0.17	-0.77	-0.26	0.25	-0.45	0.60	-0.34	-0.47
ATO2	**0.90**	-0.17	-0.21	0.21	0.75	-0.18	-0.69	-0.23	0.27	-0.40	0.63	-0.01	-0.51
ATO3	**0.91**	-0.31	-0.27	0.23	0.75	-0.13	-0.73	-0.33	0.28	-0.47	0.59	-0.07	-0.57
COO1R	-0.27	**0.98**	0.17	-0.08	-0.32	0.15	0.40	0.14	-0.16	0.10	-0.30	0.17	0.39
COO2R	-0.27	**0.98**	0.15	-0.10	-0.31	0.20	0.41	0.16	-0.16	0.10	-0.30	0.17	0.43
EGO1R	-0.15	0.24	**0.63**	-0.00	-0.17	-0.11	0.13	-0.07	-0.25	-0.02	-0.13	-0.06	0.15
EGO2	-0.18	0.02	**0.79**	0.18	-0.21	0.00	0.24	0.20	-0.05	0.28	-0.15	0.10	0.31
IND1R	0.20	0.01	-0.02	**0.65**	0.17	-0.08	-0.06	0.08	-0.07	0.12	-0.00	-0.33	-0.02
IND3	0.20	-0.14	0.21	**0.71**	0.18	-0.31	-0.23	0.03	0.12	-0.14	0.22	-0.14	0.01
INO1R	0.79	-0.29	-0.31	0.27	**0.90**	-0.23	-0.67	-0.16	0.23	-0.40	0.57	-0.16	-0.43
INO2	0.77	-0.24	-0.18	0.13	**0.89**	-0.19	-0.70	-0.25	0.22	-0.46	0.65	-0.04	-0.39
INO3R	0.77	-0.32	-0.24	0.29	**0.90**	-0.23	-0.72	-0.25	0.28	-0.48	0.59	-0.29	-0.43
MAS2	-0.13	0.17	-0.16	-0.40	-0.17	**0.72**	0.14	0.01	0.00	0.17	-0.27	0.13	0.03
MAS4	-0.14	0.10	0.04	-0.10	-0.21	**0.82**	0.19	-0.13	0.11	0.14	-0.18	0.21	0.01
MEO1	-0.76	0.38	0.26	-0.19	-0.72	0.16	**0.92**	0.37	-0.36	0.54	-0.57	0.14	0.53
MEO2	-0.74	0.39	0.30	-0.18	-0.72	0.22	**0.91**	0.38	-0.30	0.53	-0.61	0.17	0.54
MEO3	-0.71	0.41	0.15	-0.22	-0.67	0.25	**0.90**	0.31	-0.35	0.47	-0.56	0.14	0.54
MEO4	-0.62	0.26	0.23	-0.20	-0.62	0.14	**0.80**	0.20	-0.21	0.66	-0.55	0.09	0.50
PBO1	-0.30	0.14	0.13	0.05	-0.24	-0.08	0.29	**0.94**	-0.16	0.26	-0.25	-0.00	0.23
PBO2	-0.09	0.09	-0.04	0.10	-0.08	-0.01	0.30	**0.43**	-0.18	0.38	-0.25	0.09	0.17
PD1	0.11	-0.16	-0.02	-0.12	0.09	-0.11	-0.14	0.10	**0.54**	-0.06	0.27	-0.05	-0.11
PD2	0.14	-0.21	-0.05	-0.00	0.17	0.07	-0.17	-0.13	**0.78**	-0.07	0.24	-0.03	-0.16
PD3	0.32	-0.06	-0.26	0.12	0.27	0.12	-0.38	-0.27	**0.86**	-0.11	0.29	-0.04	-0.23
REO1	-0.46	0.09	0.21	-0.03	-0.47	0.26	0.60	0.34	-0.04	**0.95**	-0.52	0.02	0.44
REO2	-0.45	0.10	0.16	-0.00	-0.46	0.12	0.57	0.35	-0.19	**0.94**	-0.54	-0.09	0.46
SNO1R	0.68	-0.19	-0.18	0.21	0.67	-0.31	-0.61	-0.31	0.38	-0.58	**0.93**	-0.05	-0.41
SNO2	0.28	-0.38	-0.12	-0.02	0.30	-0.08	-0.39	-0.14	0.08	-0.23	**0.62**	0.04	-0.29
UAV1	-0.11	0.12	-0.02	-0.23	-0.12	0.31	0.11	-0.08	0.01	0.07	-0.06	**0.68**	0.10
UAV3	-0.12	0.13	0.07	-0.26	-0.14	0.03	0.11	0.11	-0.08	-0.11	0.01	**0.76**	-0.07
UTO1	-0.45	0.13	0.35	0.09	-0.38	0.08	0.45	0.21	-0.09	0.53	-0.36	0.07	**0.80**
UTO2R	-0.44	0.53	0.15	-0.10	-0.35	-0.04	0.49	0.20	-0.29	0.20	-0.34	-0.06	**0.76**

Table 6.7 Item cross-loadings for overstating tax expenses scenario – New Zealand

	ATO	COO	EGO	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO1R	**0.84**	-0.29	0.12	0.29	0.75	-0.21	-0.74	-0.26	0.24	- 0.47	0.60	0.02	-0.28
ATO2	**0.79**	-0.12	0.01	0.14	0.52	-0.19	-0.49	-0.30	-0.02	-0.45	0.49	-0.04	-0.32
ATO3	**0.86**	-0.21	0.11	0.36	0.73	-0.37	-0.68	-0.17	0.19	-0.42	0.49	-0.24	-0.41
COO1R	-0.27	**0.97**	-0.07	-0.15	-0.25	0.11	0.31	0.17	-0.12	0.21	-0.27	0.02	0.16
COO2R	-0.23	**0.97**	-0.05	-0.15	-0.22	0.13	0.25	0.13	-0.02	0.25	-0.21	0.13	0.16
EGO1R	0.09	-0.04	**0.48**	0.11	0.09	0.01	-0.14	0.00	-0.07	-0.30	0.17	-0.21	-0.02
EGO2	0.06	-0.05	**0.85**	0.09	0.16	-0.16	-0.09	0.16	0.15	0.11	0.04	-0.12	0.23
IND1R	0.22	-0.17	0.00	**0.75**	0.19	-0.10	-0.18	-0.20	-0.00	-0.21	0.33	-0.05	-0.25
IND3	0.31	-0.11	0.18	**0.92**	0.34	-0.34	-0.27	-0.07	0.06	-0.20	0.18	-0.27	-0.22
INO1R	0.75	-0.21	0.21	0.35	**0.90**	-0.35	-0.72	-0.16	0.27	-0.36	0.50	-0.21	-0.27
INO2	0.56	-0.27	0.12	0.17	**0.75**	-0.30	-0.48	-0.12	0.10	-0.39	0.52	0.00	-0.24
INO3R	0.74	-0.15	0.14	0.30	**0.87**	-0.23	-0.72	-0.17	0.13	-0.43	0.53	-0.26	-0.31
MAS2	-0.06	0.15	-0.11	-0.23	-0.11	**0.59**	0.05	-0.01	-0.09	0.04	-0.02	0.01	0.03
MAS4	-0.34	0.09	-0.11	-0.27	-0.36	**0.96**	0.26	0.07	-0.07	0.18	-0.16	0.07	0.25
MEO1	-0.73	0.26	-0.18	-0.31	-0.75	0.30	**0.89**	0.11	-0.26	0.36	-0.51	0.27	0.33
MEO2	-0.79	0.28	-0.12	-0.20	-0.75	0.24	**0.94**	0.18	-0.26	0.50	-0.60	0.13	0.37
MEO3	-0.52	0.25	-0.21	-0.28	-0.52	0.16	**0.79**	0.14	-0.08	0.30	-0.43	0.24	0.29
MEO4	-0.56	0.19	-0.02	-0.15	-0.54	0.05	**0.74**	0.13	-0.11	0.46	-0.57	0.01	0.25
PBO1	-0.28	0.14	0.16	-0.10	-0.16	0.03	0.14	**0.97**	0.13	0.23	-0.26	0.02	0.19
PBO2	-0.02	-0.04	0.26	0.10	0.03	-0.08	-0.06	**0.06**	0.02	0.05	-0.05	-0.02	0.16
PD1	0.10	0.01	0.06	-0.07	0.14	-0.06	-0.17	0.21	**0.76**	0.18	-0.01	0.10	-0.18
PD2	0.19	-0.14	0.05	0.12	0.19	-0.14	-0.17	0.00	**0.73**	-0.11	0.18	0.07	-0.11
PD3	0.12	-0.00	0.11	0.00	0.13	0.02	-0.17	0.13	**0.82**	0.05	0.08	0.18	-0.20
REO1	-0.54	0.24	-0.05	-0.28	-0.44	0.18	0.47	0.19	0.01	**0.96**	-0.51	0.15	0.31
REO2	-0.49	0.21	-0.05	-0.17	-0.44	0.15	0.46	0.24	0.04	**0.96**	-0.53	0.10	0.27
SNO1R	0.58	-0.18	0.10	0.30	0.54	-0.18	-0.49	-0.29	0.11	-0.51	**0.86**	0.00	-0.30
SNO2	0.47	-0.22	0.10	0.14	0.46	-0.04	-0.55	-0.13	0.09	-0.37	**0.79**	0.06	-0.12
UAV1	-0.09	-0.02	-0.16	-0.21	-0.16	0.05	0.15	-0.03	0.03	0.11	0.08	**0.81**	0.06
UAV3	-0.08	0.16	-0.16	-0.12	-0.14	0.056	0.15	0.10	0.21	0.09	-0.02	**0.72**	0.07
UTO1	-0.31	0.05	0.33	-0.11	-0.26	0.11	0.26	0.12	-0.20	0.31	-0.20	-0.00	**0.80**
UTO2R	-0.34	0.22	-0.03	-0.32	-0.25	0.25	0.33	0.14	-0.13	0.17	-0.23	0.14	**0.78**

Table 6.8 Item cross-loadings for understating income scenario – Malaysia

	ATU	COU	EGU	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU1R	**0.82**	-0.38	-0.24	0.27	0.78	-0.26	-0.81	-0.12	0.27	-0.58	0.57	-0.27	-0.49
ATU2	**0.87**	-0.39	-0.13	0.09	0.61	-0.16	-0.50	-0.32	0.21	-0.30	0.43	-0.13	-0.53
ATU3	**0.85**	-0.40	-0.22	0.15	0.60	-0.23	-0.51	-0.27	0.13	-0.26	0.52	-0.11	-0.51
COU1R	-0.46	**0.98**	0.30	-0.12	-0.39	0.14	0.48	0.09	-0.06	0.21	-0.36	0.24	0.29
COU2R	-0.43	**0.98**	0.26	-0.19	-0.38	0.12	0.43	0.04	-0.07	0.20	-0.30	0.28	0.21
EGU1R	-0.22	0.32	**0.98**	-0.21	-0.24	-0.07	0.23	-0.21	-0.15	-0.04	-0.18	-0.075	0.22
EGU2	-0.11	-0.18	**0.06**	0.19	-0.04	-0.02	0.27	0.10	-0.02	0.29	-0.10	-0.03	0.17
IND1R	0.11	-0.12	-0.28	**0.68**	0.15	-0.08	-0.11	0.16	-0.03	0.07	0.00	-0.29	-0.04
IND3	0.17	-0.10	0.03	**0.68**	0.15	-0.3	-0.18	0.17	0.16	-0.19	0.03	-0.15	-0.02
INU1R	0.75	-0.27	-0.23	0.16	**0.90**	-0.15	-0.69	-0.26	0.29	-0.3	0.56	-0.23	-0.47
INU2	0.64	-0.46	-0.33	0.18	**0.78**	-0.17	-0.54	-0.06	0.11	-0.27	0.45	-0.10	-0.38
INU3R	0.62	-0.29	-0.08	0.24	**0.85**	-0.21	-0.62	-0.16	0.32	-0.34	0.47	-0.23	-0.42
MAS2	-0.16	0.11	-0.06	-0.38	-0.16	**0.77**	0.17	-0.07	-0.00	0.18	-0.24	0.05	0.08
MAS4	-0.23	0.09	-0.06	-0.10	-0.16	**0.78**	0.15	-0.01	0.17	0.11	-0.07	0.16	0.15
MEU1	-0.70	0.39	0.32	-0.13	-0.70	0.20	**0.92**	0.15	-0.40	0.47	-0.52	0.02	0.53
MEU2	-0.73	0.44	0.34	-0.20	-0.73	0.26	**0.95**	0.12	-0.32	0.49	-0.60	0.10	0.58
MEU3	-0.66	0.48	0.17	-0.24	-0.64	0.20	**0.87**	0.07	-0.35	0.52	-0.49	0.15	0.33
MEU4	-0.51	0.34	0.13	-0.17	-0.51	0.06	**0.81**	0.02	-0.24	0.74	-0.58	0.17	0.34
PBU1	-0.27	0.065	-0.20	0.24	-0.20	-0.06	0.10	**0.99**	-0.03	0.11	-0.23	-0.08	0.31
PBU3	-0.04	-0.33	-0.26	0.18	0.00	-0.12	-0.04	**0.51**	0.02	0.09	-0.13	-0.09	0.16
PD2	0.14	-0.20	-0.09	-0.00	0.11	0.06	-0.18	-0.08	**0.66**	-0.14	0.10	-0.01	-0.14
PD3	0.24	-0.01	-0.16	0.11	0.31	0.11	-0.38	-0.01	**0.96**	-0.18	0.20	0.04	-0.14
REU1	-0.40	0.17	-0.03	-0.03	-0.36	0.22	0.53	0.09	-0.13	**0.94**	-0.53	0.10	0.29
REU2	-0.48	0.22	0.05	-0.12	-0.38	0.14	0.61	0.12	-0.24	**0.94**	-0.59	-0.00	0.39
SNU1R	0.47	-0.24	-0.01	0.01	0.49	-0.14	-0.58	-0.18	0.28	-0.63	**0.82**	-0.14	-0.31
SNU2	0.48	-0.30	-0.33	0.02	0.43	-0.18	-0.37	-0.17	0.02	-0.28	**0.76**	-0.03	-0.46
UAV1	-0.12	0.21	-0.23	-0.23	-0.19	0.30	0.11	-0.08	0.02	0.10	-0.10	**0.84**	0.03
UAV4R	-0.20	0.15	0.22	-0.24	-0.11	-0.22	0.04	-0.01	0.02	-0.08	-0.05	**0.50**	-0.04
UTU1	-0.50	-0.0	0.10	-0.02	-0.38	0.19	0.47	0.24	-0.17	0.46	-0.43	-0.04	**0.76**
UTU2R	-0.42	0.40	0.29	-0.05	-0.38	0.03	0.31	0.23	-0.07	0.09	-0.31	0.05	**0.76**

Table 6.9 Item cross loadings for understating income scenario – New Zealand

	ATU	COU	EGU	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU1R	**0.79**	-0.32	-0.01	0.23	0.59	-0.08	-0.53	0.18	0.05	-0.29	0.32	-0.04	-0.23
ATU2	**0.63**	-0.05	-0.19	0.03	0.20	-0.11	-0.04	-0.01	0.12	-0.25	0.38	0.13	-0.33
ATU3	**0.78**	-0.06	0.02	0.18	0.53	-0.26	-0.32	0.13	0.06	-0.18	0.23	-0.15	-0.48
COU1R	-0.25	**0.98**	0.04	-0.14	-0.32	0.00	0.33	-0.27	-0.18	0.24	-0.23	-0.02	0.13
COU2R	-0.20	**0.98**	0.04	-0.12	-0.27	-0.00	0.29	-0.26	-0.19	0.23	-0.23	0.00	0.11
EGU1R	0.01	0.06	**0.51**	0.07	0.07	-0.05	-0.19	-0.00	0.13	-0.15	0.13	0.00	0.09
EGU2	-0.05	0.02	**0.89**	0.10	0.15	-0.20	-0.13	0.00	0.04	0.12	-0.03	-0.13	0.15
IND1R	0.05	-0.13	0.04	**0.68**	0.13	-0.10	-0.13	0.05	0.15	-0.26	0.23	-0.08	-0.21
IND3	0.27	-0.11	0.12	**0.96**	0.35	-0.34	-0.31	0.15	0.08	-0.21	0.24	-0.25	-0.19
INU1R	0.57	-0.18	0.25	0.36	**0.84**	-0.32	-0.58	0.30	0.09	-0.13	0.12	-0.37	-0.26
INU2	0.49	-0.37	0.09	0.17	**0.77**	-0.19	-0.40	0.20	0.16	-0.17	0.24	-0.10	-0.36
INU3R	0.56	-0.21	0.02	0.25	**0.82**	-0.15	-0.49	0.24	0.12	-0.28	0.25	-0.12	-0.27
MAS2	0.01	0.06	-0.25	-0.24	-0.09	**0.59**	0.12	0.12	-0.17	0.01	-0.02	0.05	0.11
MAS4	-0.25	-0.02	-0.14	-0.28	-0.29	**0.96**	0.19	-0.16	-0.12	0.25	-0.25	-0.00	0.32
MEU1	-0.40	0.23	-0.29	-0.34	-0.65	0.24	**0.85**	-0.16	-0.21	0.23	-0.12	0.28	0.20
MEU2	-0.33	0.26	-0.04	-0.15	-0.37	0.05	**0.81**	-0.03	-0.25	0.32	-0.16	0.04	0.11
MEU3	-0.51	0.31	-0.19	-0.25	-0.57	0.22	**0.90**	-0.08	-0.32	0.36	-0.25	0.09	0.18
MEU4	-0.33	0.25	0.01	-0.12	-0.27	0.02	**0.67**	-0.03	-0.19	0.34	-0.30	-0.12	0.16
PBU1	-0.22	0.02	0.065	0.09	-0.01	-0.03	0.04	**0.10**	0.08	0.133	-0.14	-0.11	0.05
PBU3	0.16	-0.27	0.00	0.14	0.31	-0.10	-0.11	**0.99**	0.05	-0.06	0.05	-0.21	-0.05
PD2	0.10	-0.17	0.08	0.12	0.14	-0.14	-0.29	0.03	**0.99**	-0.12	0.12	-0.03	-0.17
PD3	0.06	0.07	-0.02	0.02	-0.02	0.027	-0.02	-0.09	**0.19**	0.05	0.03	0.08	-0.09
REU1	-0.35	0.23	0.04	-0.27	-0.25	0.22	0.35	-0.08	-0.13	**0.95**	-0.28	0.07	0.23
REU2	-0.24	0.22	0.02	-0.21	-0.18	0.19	0.33	-0.04	-0.12	**0.91**	-0.32	0.06	0.19
SNU1R	0.23	-0.11	0.00	0.19	0.15	-0.20	-0.14	0.02	0.01	-0.24	**0.74**	0.14	-0.31
SNU2	0.38	-0.25	0.03	0.25	0.24	-0.17	-0.23	0.07	0.15	-0.29	**0.90**	0.09	-0.28
UAV1	-0.07	-0.02	-0.11	-0.22	-0.26	0.05	0.12	-0.19	-0.01	0.09	0.14	**0.97**	0.08
UAV4R	-0.06	0.07	0.02	-0.05	-0.05	-0.18	0.06	-0.09	-0.15	-0.09	-0.01	**0.23**	-0.04
UTU1	-0.37	-0.04	0.32	-0.02	-0.24	0.13	0.10	-0.05	-0.16	0.14	-0.20	-0.00	**0.71**
UTU2R	-0.35	0.20	0.00	-0.29	-0.31	0.33	0.20	-0.03	-0.10	0.21	-0.33	0.10	**0.83**

(b) Fornell-Larcker Criterion (Square root of AVE)

The Fornell-Larcker criterion is another test for discriminant validity which is considered as more systematic and reliable (Chin, 2010). In this test, the square root of the AVE for each construct should be higher than its correlations with other construct to achieve discriminant validity. Table 6.10 to Table 6.13 present the results from the Fornell-Larcker criterion tests for both scenarios of overstating tax expenses and understating tax income for Malaysia and New Zealand. The results indicate that the square roots for each construct are greater than their correlations with other construct suggesting discriminant validity have been achieved.

Table 6.10 Fornell- Lacker test for overstating tax expense scenario - Malaysia

	ATO	COO	EGO	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO	**0.91**												
COO	-0.27	**0.98**											
EGO	-0.23	0.16	**0.71**										
IND	0.30	-0.09	0.13	**0.68**									
INO	0.86	-0.32	-0.27	0.25	**0.90**								
MAS	-0.18	0.17	-0.06	-0.30	-0.24	**0.77**							
MEO	-0.80	0.41	0.27	-0.22	-0.77	0.22	**0.88**						
PBO	-0.30	0.15	0.10	0.08	-0.25	-0.08	0.36	**0.73**					
PD	0.29	-0.16	-0.20	0.04	0.27	0.08	-0.35	-0.20	**0.74**				
REO	-0.48	0.10	0.20	-0.02	-0.49	0.20	0.62	0.36	-0.12	**0.94**			
SNO	0.66	-0.30	-0.20	0.16	0.67	-0.28	-0.64	-0.31	0.34	-0.56	**0.74**		
UAV	-0.16	0.17	0.04	-0.34	-0.18	0.23	0.15	0.02	-0.05	-0.03	-0.02	**0.72**	
UTO	-0.57	0.41	0.33	-0.01	-0.46	0.02	0.60	0.26	-0.23	0.48	-0.45	0.01	**0.78**

Table 6.11 Fornell-Larkcer test for overstating expense scenario – New Zealand

	ATO	COO	EGO	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO	**0.82**												
COO	-0.26	**0.97**											
EGO	0.10	-0.07	**0.69**										
IND	0.33	-0.15	0.13	**0.84**									
INO	0.82	-0.24	0.19	0.33	**0.85**								
MAS	-0.31	0.12	-0.13	-0.30	-0.35	**0.80**							
MEO	-0.78	0.29	-0.16	-0.28	-0.77	0.24	**0.84**						
PBO	-0.28	0.15	0.10	-0.13	-0.18	0.05	0.16	**0.68**					
PD	0.18	-0.07	0.09	0.04	0.20	-0.09	-0.22	0.13	**0.77**				
REO	-0.53	0.24	-0.05	-0.23	-0.46	0.17	0.48	0.22	0.03	**0.96**			
SNO	0.64	-0.24	0.12	0.27	0.61	-0.14	-0.62	-0.26	0.12	-0.54	**0.83**		
UAV	-0.11	0.07	-0.21	-0.23	-0.19	0.07	0.20	0.03	0.15	0.13	0.03	**0.77**	
UTO	-0.41	0.17	0.19	-0.26	-0.32	0.22	0.37	0.16	-0.21	0.30	-0.27	0.08	**0.79**

Table 6.12 Fornell-Larcker test for understating income scenario - Malaysia

	ATU	COU	EGU	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU	**0.85**												
COU	-0.46	**0.98**											
EGU	-0.24	0.28	**0.69**										
IND	0.21	-0.16	-0.18	**0.68**									
INU	0.79	-0.39	-0.25	0.23	**0.84**								
MAS	-0.26	0.13	-0.07	-0.31	-0.20	**0.78**							
MEU	-0.74	0.46	0.28	-0.21	-0.73	0.21	**0.89**						
PBU	-0.27	0.07	-0.19	0.24	-0.20	-0.05	0.11	**0.79**					
PD	0.25	-0.06	-0.16	0.09	0.29	0.11	-0.37	-0.03	**0.82**				
REU	-0.47	0.21	0.01	-0.08	-0.39	0.19	0.60	0.11	-0.20	**0.94**			
SNU	0.60	-0.34	-0.20	0.02	0.59	-0.20	-0.61	-0.23	0.20	-0.59	**0.79**		
UAV	-0.21	0.27	-0.08	-0.33	-0.23	0.14	0.12	-0.08	0.03	0.05	-0.11	**0.69**	
UTU	-0.60	0.26	0.26	-0.05	-0.50	0.15	0.51	0.31	-0.16	0.36	-0.48	0.00	**0.76**

Table 6.13 Fornell–Larcker test for understating income scenario – New Zealand

	ATU	COU	EGU	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU	**0.73**												
COU	-0.23	**0.98**											
EGU	-0.03	0.05	**0.73**										
IND	0.24	-0.13	0.11	**0.83**									
INU	0.66	-0.30	0.16	0.33	**0.81**								
MAS	-0.21	-0.00	-0.19	-0.31	-0.28	**0.80**							
MEU	-0.49	0.32	-0.20	-0.29	-0.61	0.20	**0.81**						
PBU	0.17	-0.27	0.00	0.14	0.31	-0.10	-0.11	**0.71**					
PD	0.09	-0.19	0.09	0.12	0.15	-0.15	-0.30	0.05	**0.71**				
REU	-0.32	0.24	0.03	-0.26	-0.23	0.22	0.36	-0.07	-0.13	**0.93**			
SNU	0.39	-0.23	0.03	0.27	0.24	-0.22	-0.23	0.06	0.12	-0.32	**0.83**		
UAV	-0.08	-0.00	-0.11	-0.23	-0.26	0.01	0.13	-0.20	-0.04	0.07	0.13	**0.71**	
UTU	-0.46	0.12	0.17	-0.22	-0.36	0.30	0.20	-0.05	-0.16	0.23	-0.35	0.07	**0.78**

6.2 Second order factor model

At this stage, the reliability and validity of measures in the measurement first order model have been adequately satisfied. Since two constructs, namely ethical sensitivity and culture, are developed as a second order factor model, there is a need to test the second order factor model. In this study, the repeated indicator approach, suggested by Chin (2010) and Hair et al. (2013), was used to perform the second order factor test. As indicated in Table 6.14, all constructs for culture are significant for both Malaysia and New Zealand in the overstating tax expense scenario with individualism (IND) indicating the most significant construct. Likewise, all constructs in ethical sensitivity are significant in the overstating tax expense scenario for both Malaysia and New Zealand.

Table 6.14 Second order factor model for overstating tax expense scenario

Malaysia				New Zealand			
Construct	**Path estimate**	***t*-values**	**Level of sig.**	**Construct**	**Path estimate**	***t*-values**	**Level of sig.**
Culture (CUL) : R^2 = 0.99				*Culture (CUL): R^2 = 0.99*			
PD	0.638	2.711	0.01	PD	0.388	1.818	0.10
IND	-0.328	3.417	0.001	IND	0.548	3.790	0.001
MAS	0.392	2.863	0.005	MAS	0.490	4.245	0.001
UAV	0.302	3.221	0.005	UAV	0.186	1.854	0.10
Ethical sensitivity (ES) : R^2 = 0.99				*Ethical sensitivity (ES) : R^2= 0.99*			
MEO	0.596	11.538	0.001	MEO	0.654	14.350	0.001
REO	0.245	8.075	0.001	REO	0.300	9.615	0.001
EGO	0.075	2.785	0.01	EGO	0.050	2.016	0.05
UTO	0.167	7.379	0.001	UTO	0.142	5.005	0.001
COO	0.190	4.063	0.001	COO	0.194	4.188	0.001

In the case of understating income scenario, the findings in Table 6.15 indicate that Power Distance, PD, is not a significant construct for culture in Malaysia and Egoism, EGU, is not significant in forming ethical sensitivity construct in New Zealand. However, since formative constructs are not determined only based on their significance level, all constructs are retained to ensure content validity.

Table 6.15 Second order factor model for understating income scenario

Malaysia				New Zealand			
Construct	**Path estimate**	***t*-values**	**Level of sig.**	**Construct**	**Path estimate**	***t*-values**	**Level of sig.**
Culture (CUL) : R^2 = 0.99				*Culture (CUL): R^2 = 0.99*			
PD	-0.286	1.440	Not sig.	PD	0.192	2.030	0.05
IND	0.408	4.375	0.001	IND	0.599	6.205	0.001
MAS	0.546	4.541	0.001	MAS	-0.503	5.814	0.001
UAV	0.329	3.476	0.001	UAV	-0.212	2.456	0.05
Ethical sensitivity (ES) : R^2 = 1.00				*Ethical sensitivity (ES) : R^2= 0.99*			
MEU	0.609	15.578	0.001	MEU	0.663	12.290	0.001
REU	0.221	6.351	0.001	REU	0.281	7.614	0.001
EGU	0.065	2.369	0.05	EGU	0.054	1.454	Not sig.
UTU	0.151	5.269	0.001	UTU	0.141	4.086	0.001
COU	0.227	5.430	0.001	COU	0.295	6.240	0.001

To test multicollinearity for formative constructs, the variance inflation factor (VIF), condition index and tolerance values, which were generated from SPSS, are observed. From Table 6.16 and Table 6.17, it can be concluded that multicollinearity is not a threat to the model for the overstating tax expense scenario for both Malaysia and New Zealand. This is based on the values of variance inflation factor which are less than 10 (Gefen et al, 2010; Hair et al.,

2010), condition index of less than 30 (Diamantopoulos and Siguaw, 2006; Hair et al., 2012), and tolerance value of higher than 0.20 (Hair et al., 2013).

Table 6.16 Multicollinearity for overstating tax expense scenario - Malaysia

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics		
Item	B	Std. Error	Beta	*t*	Sig.	Tolerance	VIF	Condition Index
Constant	.050	.411		.122	.914			1.000
CUL	1.853	1.336	.856	1.387	.300	.586	1.707	3.788
ES	-.487	1.521	-.198	-.320	.779	.586	1.707	5.094

Table 6.17 Multicollinearity for overstating tax expense scenario – New Zealand

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics		
Item	B	Std. Error	Beta	*t*	Sig.	Tolerance	VIF	Condition Index
Constant	-.198	.230		-.862	.480			1.000
CUL	1.741	.538	.845	3.236	.084	.970	1.031	3.012
ES	.543	.522	.272	1.040	.407	.970	1.031	4.247

Similar to the first model for the overstating tax expense scenario, the VIF, condition index and tolerance values are checked to ensure there is no multicollinearity among the constructs in the second scenario. The findings from Table 6.18 and Table 6.19 for Malaysia and New Zealand suggest that multicollinearity is not a serious issue in this model. This is based on the VIF values of less than 10, condition index of less than 30, and tolerance values of higher than 0.20. At this stage it can be concluded that culture and ethical sensitivity are perceived as multidimensional constructs by tax agents in Malaysia and New Zealand.

Therefore, Hypothesis 7 which states "*Tax agents in Malaysia and New Zealand perceive ethical sensitivity as a multidimensional concept"* is accepted.

Likewise, Hypothesis 9 which states "*Tax agents in Malaysia and New Zealand perceive culture as a multidimensional concept"* is also accepted.

Table 6.18 Multicollinearity for understating income scenario – Malaysia

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics		
Item	**B**	**Std. Error**	**Beta**	***t***	**Sig.**	**Tolerance**	**VIF**	**Condition Index**
Constant	-.441	.389		-1.133	.375			1.000
CUL	1.846	.797	.799	2.317	.146	.945	1.058	2.707
ES	1.336	.764	.602	1.748	.228	.945	1.058	5.584

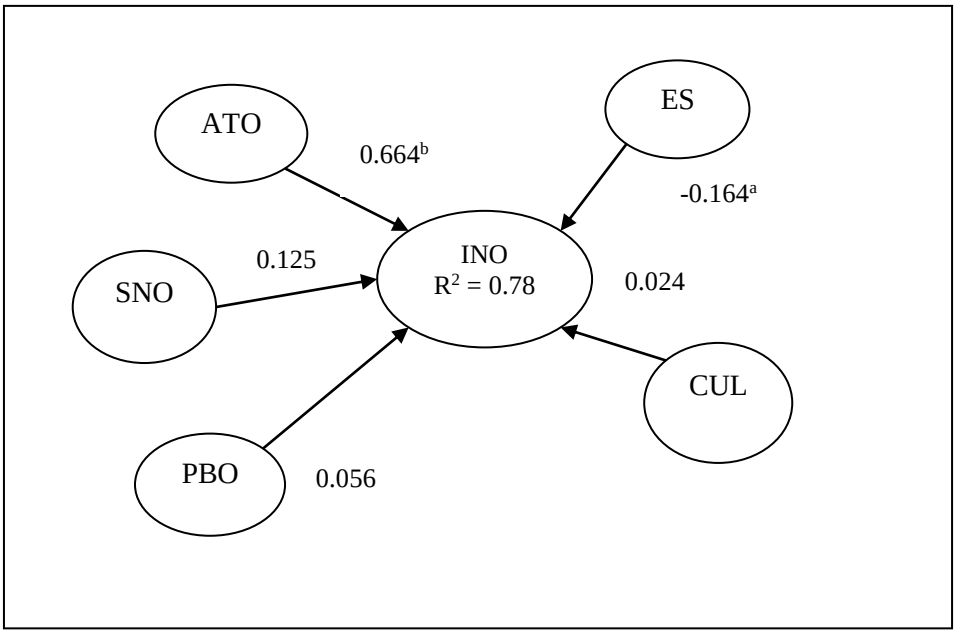
Table 6.19 Multicollinearity for understating income scenario – New Zealand

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics		
Item	**B**	**Std. Error**	**Beta**	***t***	**Sig.**	**Tolerance**	**VIF**	**Condition Index**
Constant	-.359	.347		-1.036	.409			1.000
CUL	1.692	.648	.890	2.612	.121	.879	1.137	2.290
ES	1.248	.681	.624	1.832	.208	.879	1.137	5.140

6.3 Structural model

Since the measurement models at the first and second order have been successfully evaluated, the evaluation of the structural models can now be proceed. As discussed earlier in section 4.7.8.3 of Chapter 4, the evaluation of structural models for the study are based on the R^2, effect size and path coefficient. Figure 6.1 to Figure 6.4 illustrates the structural models for overstating tax expenses and understating income expenses for Malaysia and New Zealand.

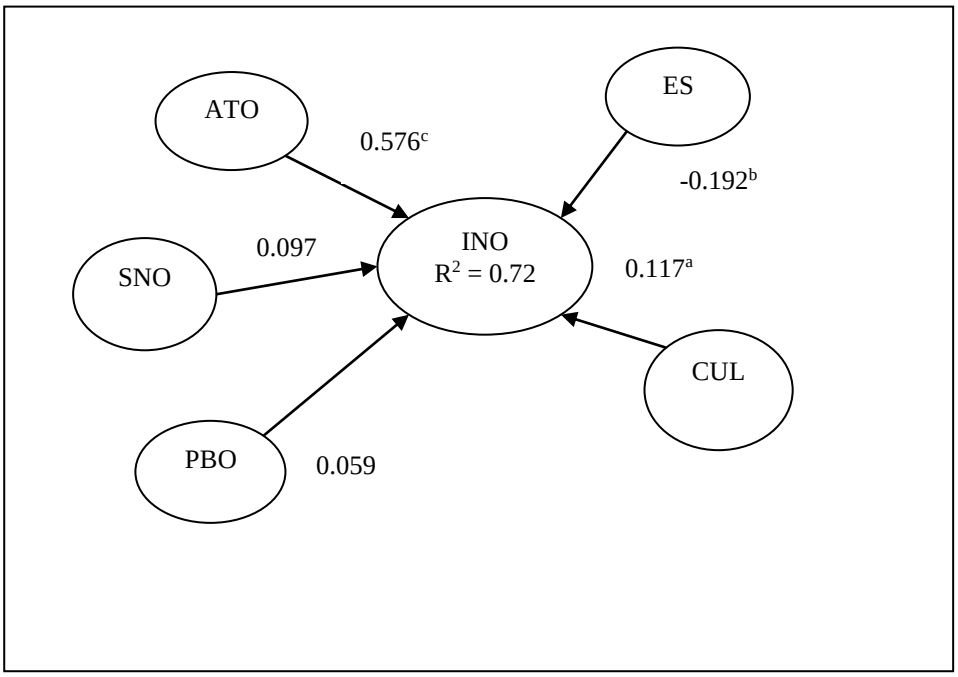
Figure 6.1 Structural model for overstating tax expenses scenario - Malaysia



Note:
1. INO – Intention
2. ATO – Attitude
3. SNO – Subjective norms
4. PBO – Perceived behavioural control
5. CUL – Culture
6. ES – Ethical sensitivity

[a] Significant at 0.10 level
[b] Significant at 0.001 level

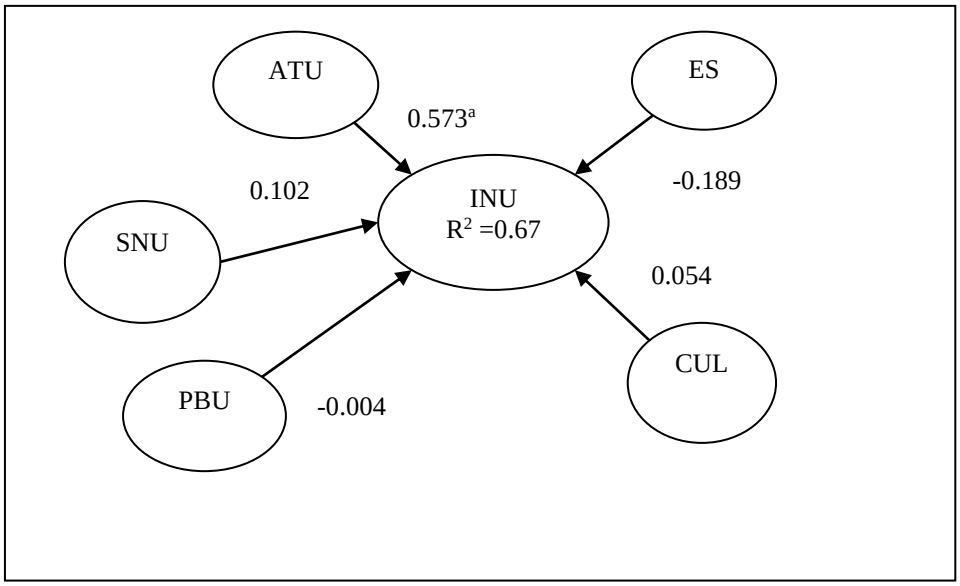
Figure 6.2 Structural model for overstating tax expense scenario – New Zealand



Note:
1. INO – Intention
2. ATO – Attitude
3. SNO – Subjective norms
4. PBO – Perceived behavioural control
5. CUL – Culture
6. ES – Ethical sensitivity

[a] Significant at 0.10 level
[b] Significant at 0.05 level
[c] Significant at 0.001 level

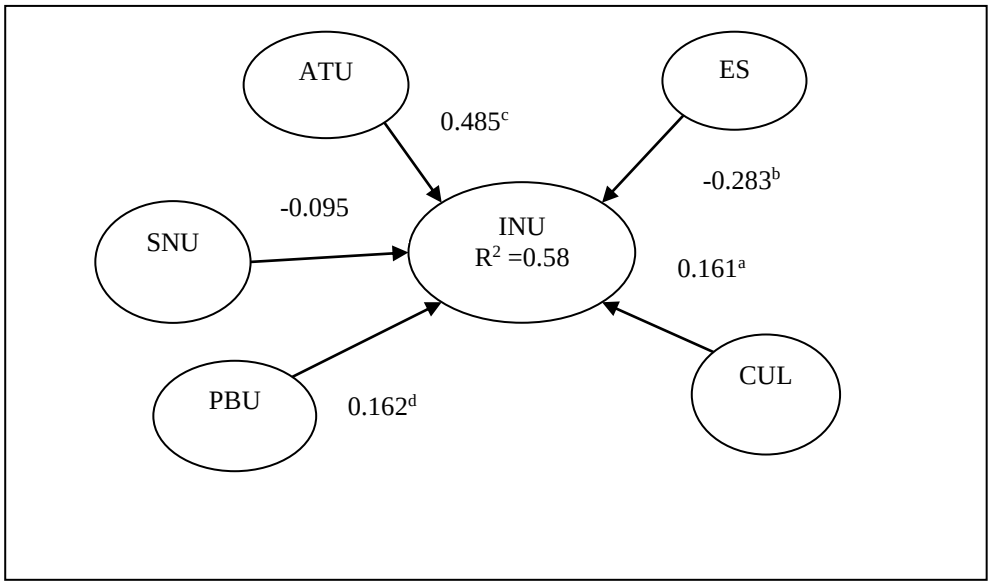
Figure 6.3 Structural model for understating income scenario – Malaysia



Note:
1. INU – Intention
2. ATU – Attitude
3. SNU – Subjective norms
4. PBU – Perceived behavioural control
5. CUL – Culture
6. ES – Ethical sensitivity

[a] Significant at 0.001 level

Figure 6.4 Structural model for understating income scenario – New Zealand



Note:
1. INU – Intention
2. ATU – Attitude
3. SNU – Subjective norms
4. PBU – Perceived behavioural control
5. CUL – Culture
6. ES – Ethical sensitivity

[a] Significant at 0.01 level
[b] Significant at 0.001 level
[c] Significant at 0.001 level
[d] Significant at 0.10 level

6.3.1 R-squares

R-squares are considered as the primary analysis to test the structural model which indicates the degree of coefficient determination. There is no threshold of *R*-squares (Hair et al., 2012) but higher is better (Gotz et al., 2010). In this study the *R*-squares of overstating scenarios and understating income for both Malaysia and New Zealand indicate substantial values, since they are around 0.60 (Urbach and Ahlemann, 2010). The findings indicate that the model can explain around 58

percent to 78 percent of variance in the intention of tax agents to comply with the tax law in overstating expenses and understating income. The *R*-squares are comparable to Saad (2011), who documented around 52 to 74 percent of variance in tax compliance behaviour of individual taxpayers in New Zealand.

Table 6.20 *R*-squares for the study

	***R*- squares**	
Scenarios	**Malaysia**	**New Zealand**
Overstating tax expenses	0.777	0.717
Understating income	0.670	0.582

6.3.2 Effect size

The *R*-squares are also useful to determine the effect size of the independent variable on the dependent variable. Based on the recommendations by Cohen (1988) as discussed in section 4.7.8.3 of Chapter 4, it can be concluded that attitude has large effect on intention to comply in overstating tax expense in Malaysia based on the f^2 of 0.75 presented in Table 6.21~~Table 6.21~~Table 6.21. However, subjective norms, perceived behavioural control, culture and ethical sensitivity only indicate small effects on intention. Similar to Malaysia, only attitude has large effect on intention to comply in overstating tax expense scenario in New Zealand, based on the results in Table 6.22.

Table 6.21 Effect size for overstating tax expense – Malaysia

Construct excluded	R^2 excluded	f^2	Level of effect
Attitude	0.615	0.75	Large
Subjective norms	0.769	0.05	Small
Perceived behavioural control	0.774	0.03	Small
Culture	0.776	0.05	Small
Ethical sensitivity	0.767	0.06	Small

Table 6.22 Effect size for overstating expenses - New Zealand

Construct excluded	R^2 excluded	f^2	Level of effect
Attitude	0.605	0.41	Large
Subjective norms	0.713	0.03	Small
Perceived behavioural control	0.714	0.02	Small
Culture	0.706	0.05	Small
Ethical sensitivity	0.705	0.05	Small

Similar to the overstating expense scenario, the effect size for understating income scenario is also examined for Malaysia and New Zealand. The findings from Malaysia indicate that only attitude has a large effect on intention, while subjective norms and ethical sensitivity, only indicate small effects on intention. Interestingly, perceived behavioural control, and culture have no effect on intention in understating income in Malaysia. In New Zealand, only attitude has a large effect on intention in understating income scenario with small effect from other independent variables.

Table 6.23 Effect size for understating income - Malaysia

Construct excluded	R^2 excluded	f^2	Level of effect
Attitude	0.550	0.36	Large
Subjective norms	0.665	0.02	Small
Perceived behavioural control	0.670	0.00	No effect
Culture	0.668	0.00	No effect
Ethical sensitivity	0.659	0.03	Small

Table 6.24 Effect size for understating income - New Zealand

Construct excluded	R^2 excluded	f^2	Level of effect
Attitude	0.425	0.38	Large
Subjective norms	0.573	0.02	Small
Perceived behavioural control	0.556	0.06	Small
Culture	0.557	0.06	Small
Ethical sensitivity	0.535	0.11	Small

6.3.3 Path coefficient and hypotheses testing

Path coefficient in PLS is used to examine the relationship between construct and the strength of the relationship is assessed using bootstrapping as discussed in section 4.7.8.3 of Chapter 4. The strength of the relationship, according to Urbach and Ahlemann (2010), should be at least 0.10. Table 6.25 presents the results for overstating tax expense in Malaysia and New Zealand. For Malaysia, only attitude is highly significant at $p < 0.001$ with path coefficient of 0.664 followed by Ethical sensitivity which is only significant at $p < 0.10$. For New Zealand, attitude is significant at $p < 0.001$, ethical sensitivity at $p < 0.05$ and culture at $p < 0.10$.

Based on the findings, Hypothesis H4 stating "*Attitude towards behaviour significantly influences tax agents in Malaysia and New Zealand in complying with the tax law"* was accepted for both Malaysia and New Zealand in overstating tax expenses scenario.

Likewise, the Hypothesis H8 on ethical sensitivity, stating "*Ethical sensitivity significantly influences tax agents in Malaysia and New Zealand in complying with the tax law*" was accepted for both Malaysia and New Zealand in overstating tax expense scenario.

Hypothesis H5 which states "*Subjective norms significantly influence tax agents in Malaysia and New Zealand in complying with the tax law"* was rejected for both countries in overstating tax expense scenario.

Equally, Hypothesis H6 suggesting that "*Perceived behavioural control significantly influences tax agents in Malaysia and New Zealand in complying with the tax law*" was also rejected for Malaysia and New Zealand in the scenario of overstating tax expense.

Hypothesis H10 which proposes "*Culture significantly influences tax agents in Malaysia and New Zealand in complying with the tax law"* in overstating tax expense scenario, was rejected for Malaysia but accepted in New Zealand with a weak relationship between culture and intention.

Table 6.25 Path coefficient for overstating tax expenses

Relationship	Malaysia			New Zealand		
	Path coefficient (ß)	***t*- values**	**Sig. level**	**Path coefficient (ß)**	***t*-values**	**Sig. level**
Attitude - Intention	0.664	7.765	0.001	0.576	6.276	0.001
Subjective norms – Intention	0.125	1.580	Not sig.	0.097	1.555	Not sig.
Perceived behavioural control – Intention	0.056	1.306	Not sig.	0.059	1.522	Not sig.
Culture - Intention	0.024	0.548	Not sig.	0.117	1.712	0.10
Ethical sensitivity – Intention	-0.164	1.945	0.10	-0.192	2.079	0.05

Similar hypotheses used in overstating tax expense scenario were then tested in understating income scenario. For understating income scenario, attitude is the only significant variable in Malaysia at $p < 0.001$. In New Zealand, interestingly, attitude and ethical sensitivity are significant at $p < 0.001$, perceived behavioural control at $p < 0.10$ and culture at $p < 0.01$.

Consequently, Hypothesis H4 stating "*Attitude towards behavior significantly influences tax agents in Malaysia and New Zealand in complying with the tax law*" was accepted for both Malaysia and New Zealand in understating income scenario.

Hypothesis H5 which proposes "*Subjective norms significantly influence tax agents in Malaysia and New Zealand in complying with the tax law"* was rejected in both countries for understating income scenario.

Hypothesis H6 on "*Perceived behavioural control significantly influences tax agents in Malaysia and New Zealand in complying with the tax law*" was rejected in Malaysia but accepted with weak influence in New Zealand in understating income scenario.

A similar finding is documented for Hypothesis H10 which sates "*Culture significantly influences tax agents in Malaysia and New Zealand in complying with the tax law"* in understating income scenario, was rejected in Malaysia but accepted with moderate influence in New Zealand.

The influence of ethical sensitivity on intention was tested based on Hypothesis H8 "*Ethical sensitivity significantly influences tax agents in Malaysia and New Zealand in complying with the tax law"* was rejected in Malaysia but accepted with a strong influence in New Zealand in understating income scenario.

Table 6.26 Path coefficient for under stating tax income

Relationship	**Malaysia**			**New Zealand**		
	Path coefficient (ß)	***t*- values**	**Sig. level**	**Path coefficient (ß)**	***t*- values**	**Sig. level**
Attitude - Intention	0.573	4.704	0.001	0.485	5.906	0.001
Subjective norms - Intention	0.102	1.264	Not sig.	-0.095	1.620	Not sig.
Perceived behavioural control - Intention	-0.004	0.105	Not sig.	0.162	1.863	0.10
Culture - Intention	-0.054	0.891	Not sig.	0.161	2.748	0.01
Ethical sensitivity - Intention	-0.189	1.657	Not sig.	-0.283	3.581	0.001

The following Table 6.27~~Table 6.27~~Table 6.27 summarizes the results from the hypotheses testing for overstating tax expense scenario in Malaysia and New

Zealand. The results from the hypotheses testing for understating income scenario are also summarized in Table 6.28.

Table 6.27 Summary of hypotheses testing for overstating tax expenses scenario in Malaysia and New Zealand

Research Questions	Hypotheses	Findings	
		Malaysia	New Zealand
4. Does attitude towards tax compliance significantly influence the tax agents in Malaysia and New Zealand in complying with the tax law?	H4: Attitude towards tax compliance significantly influences the tax agents in Malaysia and New Zealand in complying with the tax law.	Accepted	Accepted
5. Does subjective norm significantly influence tax agents in Malaysia and New Zealand in complying with the tax law?	H5: Subjective norm significantly influences tax agents in Malaysia and New Zealand in complying with the tax law.	Rejected	Rejected
6. Does perceived behavioural control significantly influence the tax agents in Malaysia and New Zealand in complying with the tax law?	H6: Perceived behavioural control significantly influences tax agents in Malaysia and New Zealand in complying with the tax law.	Rejected	Rejected
7. Do tax agents in Malaysia and New Zealand perceive ethical sensitivity as a multidimensional concept?	H7. Tax agents in Malaysia and New Zealand perceive ethical sensitivity as a multidimensional concept.	Accepted	Accepted
8. Does ethical sensitivity significantly influence tax agent in Malaysia and New Zealand in complying with the tax law?	H8: Ethical sensitivity significantly influences tax agents in Malaysia and New Zealand in complying with the tax law.	Accepted	Accepted
9. Do tax agents in Malaysia and New Zealand perceive culture as a multidimensional concept?	H9: Tax agents in Malaysia and New Zealand perceive culture as a multidimensional concept.	Accepted	Accepted
10. Does culture significantly influence tax agents in Malaysia and New Zealand in complying with the tax law?	Culture significantly influences tax agents in Malaysia and New Zealand in complying with the tax law.	Rejected	Accepted

Note: Summary of results for research questions 1 to 3 are presented in Table 5.30 of Chapter 5.

Table 6.28 Summary of hypotheses testing for understating income scenario in Malaysia and New Zealand

Research Questions	Hypotheses	Findings	
		Malaysia	**New Zealand**
4. Does attitude towards tax compliance significantly influence the tax agents in Malaysia and New Zealand in complying with the tax law?	H4: Attitude towards tax compliance significantly influences the tax agents in Malaysia and New Zealand in complying with the tax law.	Accepted	Accepted
5. Does subjective norm significantly influence tax agents in Malaysia and New Zealand in complying with the tax law?	H5: Subjective norm significantly influences tax agents in Malaysia and New Zealand in complying with the tax law.	Rejected	Rejected
6. Does perceived behavioural control significantly influence the tax agents in Malaysia and New Zealand in complying with the tax law?	H6: Perceived behavioural control significantly influences tax agents in Malaysia and New Zealand in complying with the tax law.	Rejected	Accepted
7. Do tax agents in Malaysia and New Zealand perceive ethical sensitivity as a multidimensional concept?	H7. Tax agents in Malaysia and New Zealand perceive ethical sensitivity as a multidimensional concept.	Accepted	Accepted
8. Does ethical sensitivity significantly influence tax agent in Malaysia and New Zealand in complying with the tax law?	H8: Ethical sensitivity significantly influences tax agents in Malaysia and New Zealand in complying with the tax law.	Rejected	Accepted
9. Do tax agents in Malaysia and New Zealand perceive culture as a multidimensional concept?	H9: Tax agents in Malaysia and New Zealand perceive culture as a multidimensional concept.	Accepted	Accepted
10. Does culture significantly influence tax agents in Malaysia and New Zealand in complying with the tax law?	Culture significantly influences tax agents in Malaysia and New Zealand in complying with the tax law.	Rejected	Accepted

Note: Summary of results for research questions 1 to 3 are presented in Table 5.30 of Chapter 5.

6.4 Summary

In this chapter the evaluation of the measurement model at the first order, second order and structural model, was performed using PLS-SEM technique by applying the SmartPLS software (Ringle et al., 2005) before the hypotheses testing was done. The measures and constructs have been validated accordingly following suggestions from previous literature on PLS-SEM. The findings indicate that tax agents in Malaysia and New Zealand perceive ethical sensitivity and culture as multidimensional items based on the results from the second order factor model.

The values of *R*-squares are within the range of 58 percent to 77 percent in the overstating expenses scenario and understating income scenario in Malaysia and New Zealand, suggesting that the model can explain 58 percent to 77 percent variance in intention to comply with the tax law by tax agents in the study. Overall, attitudes indicate a consistent result with large effect on intention in both scenarios in Malaysia and New Zealand. This is then translated with strong relationship between attitudes on intention in both scenarios in Malaysia and New Zealand from the path coefficient and significant level of *p*-value at 0.001.

The findings also indicate inconsistencies between two tax environments of Malaysia and New Zealand. For instance, ethical sensitivity is highly and moderately significant in New Zealand for the overstating tax expenses scenario and understating income scenario, but only indicated a weak relationship for overstating tax expenses and is not significant in the understating income scenario in Malaysia. In summary, the findings contribute to the scarce literature in tax compliance behaviour of tax agents.

CHAPTER 7

INTERVIEW FINDINGS

7.0 Introduction

This chapter presents the interview findings with some tax agents in Malaysia and New Zealand. The findings are presented in two main parts: the first part consists of interviews with tax agents in Malaysia, followed by the second part on the findings from interviews with tax agents in New Zealand. Briefly, the discussions focused on the perceptions of tax agents with regard to tax compliance behaviour, the influence of ethical sensitivity, and culture in their decision making while performing their engagement roles. The chapter ends with a brief summary.

7.1 Malaysia

As explained earlier in section 4.7.4.1 of Chapter 4, the author sent 1,500 invitations to participate in interviews to potential survey respondents. Initially 21 survey respondents indicated their interest to participate in the interview; however, 4 of them were not available despite two attempts of calling to confirm their participation. Ultimately, 17 interview participants from various positions, type of firms and years of experience, voluntarily took part in the interview. The telephone interviews were conducted between November 2011 and January 2012.

The demographic profiles for all participants are illustrated in Table 7.1, comprising 6 males and 11 females. With regard to position in the firm, the interview participants came from various positions as follows:

(1) Three tax consultants

(2) One principal

(3) Two managers

(4) Two senior tax executives

(5) Three tax directors

(6) One partner

(7) Five tax executives

In terms of working experience in tax practice, the interview participants ranged from those with less than five years of tax experience to those who have more than twenty one years of tax experience, as indicated below:

(1) Less than five years of tax experience – 5 participants

(2) Between five to ten years of tax experience – 2 participants

(3) Between eleven to fifteen years of tax experience – 2 participants

(4) Between sixteen to twenty years of tax experience – 6 participants

(5) Twenty one years of tax experience and more – 2 participants

The interview participants also came from different types and sizes of firms in public practice, ranging from sole practitioners, tax consulting firms and public accounting firms. Their background firms are as follows:

(1) Sole practitioner – 2 participants

(2) Small tax consulting firms – 3 participants

(3) Medium sized public accounting firm – 6 participants

(4) Small size public accounting firm – 6 participants

The demographic profiles for interview participants from Malaysia suggest that those tax agents who participated in this interview study came from a mixed background of positions, gender, years of working experience in tax practice and types of firm. The differences in their social and professional background are expected to provide rich information and views from diverse perspectives which could be helpful to further understand the factors that influence tax agents in their ethical decision making while performing their roles.

Table 7.1 Demographic Profiles of Interview Participants – Malaysia

Position	Gender	Years of experience in tax practice	Type of firms	Reference in the thesis
Tax Consultant	Male	16	Sole practitioner	Participant 1
Principal	Female	16	Medium size public accounting firm	Participant 2
Manager	Male	16	Medium size public accounting firm	Participant 3
Senior Tax Executive	Male	6	Medium size public accounting firm	Participant 4
Senior Tax Executive	Female	7	Medium size public accounting firm	Participant 5
Tax Director	Female	22	Small tax consulting firm	Participant 6
Tax Consultant	Male	21	Sole practitioner	Participant 7
Tax Consultant	Male	13	Small tax consulting firm	Participant 8
Tax Director	Female	16	Medium size public accounting firm	Participant 9
Tax Director	Female	12	Small size public accounting firm	Participant 10
Tax Executive	Female	4	Small size public accounting firm	Participant 11
Partner	Male	20	Small tax consulting firm	Participant 12
Tax Executive	Female	4	Small size public accounting firm	Participant 13
Tax Executive	Female	4	Small size public accounting firm	Participant 14
Tax Executive	Female	4	Small size public accounting firm	Participant 15
Tax Executive	Female	3	Small size public accounting firm	Participant 16
Manager	Female	16	Medium size public accounting firm	Participant 17

7.1.1 Data analysis and interview findings

7.1.1.1 Tax compliance behaviour

In explaining their understanding about tax compliance behaviour, generally all interview participants associated tax compliance with complying with the Income Tax Act, standards, rules and regulations by the MIRB. Their understanding is translated by meeting the deadlines for filing of tax returns, and payment owed to the MIRB, having proper documentation, possessing knowledge, and declaring the income that taxpayers earned. The following comments are some examples of how tax agents in this interview understand tax compliance:

> *"Tax compliance means…tax agent has to comply with all standards and public rulings, rule and regulations set by the Income Tax Act…"*
>
> (Participant 2, principal, medium size public accounting firm)

> "*Basically if you say about tax compliance, it can be from two areas…one is the computation [and] the other is from the timing…for example [the] submission deadline, payment deadline, filing deadline. At the end of the day, it is the question of effectiveness…if you do not meet the deadlines, then you are not efficient".*
>
> (Participant 3, manager, medium size public accounting firm)

> *"In my opinion, tax compliance is following the rule, it means we follow what is required by the Income Tax Act or [any] regulations, legislations determined by the IRB".*
>
> (Participant 4, senior tax executive, medium size public accounting firm)

"For tax compliance, we have to ensure that our client follow the IRB's document, ensure that the record is correct, advise them with their responsibility and follow the IRB's requirement. Clients do not have the knowledge. We have to make sure that under the SAS client is more aware of the requirements by the IRB".

(Participant 12, partner, small tax consulting firm)

"We have to be detailed in analysing the information, understand the clients' business, [so] we have to be well versed with the tax laws, we have to equip ourselves with sound technical knowledge. The tax laws and case laws are important sources in making decisions".

(Participant 17, tax manager, medium size public accounting firm)

There is also a suggestion that tax compliance means exercising justice, on the side of taxpayers and tax authority. This could be achieved by ensuring that taxpayers do not overpay or underpay the amount of tax.

"It is wrong to under declared the income…it should be a win-win situation. Taxpayers will not pay more or less even by a cent, we just pay what we are supposed to pay".

(Participant 8, tax consultant, small tax consulting firm)

Interestingly, as commented by an interview participant, complying with the tax law to a certain extent is situation specific. In the cases of natural disaster for instance, it becomes very challenging and requires tax agent to be more flexible

with their clients in their approach to obtain the appropriate documents for tax filing purposes:

> *"The taxpayers know the things that they can claim and those that they cannot claim…it depends on situation. Let's say…in 2006, we had severe flooding in our town. The bills were drifted away…so how are we going to prepare the computation? I think in this case we have to tolerate. We had to collect as much evidence as we could, found whatever documents which were still available…and referred to previous records as well. I think we have to consider our client situation as well in this kind of circumstances".*
>
> (Participant 6, tax director, small tax consulting firm)

When probed further, the interview participants also explained that their attitudes to a certain extent guide them to comply with the tax law. For instance, in addition to their awareness on the importance of complying with the tax laws, as professionals, there is a concern that their attitude has to be aligned with the professional ethics while performing their roles:

> *"As a tax agent, we are given the trust, and I am afraid of the tax law. We should not go against the law. As an accountant we have to follow the ethical conduct"*
>
> (Participant 7, tax consultant, sole practitioner)
>
> *"As tax professionals we have to follow our [tax professional] ethics"*
>
> (Participant 8, tax consultant, small tax consulting firm)

"Because we have the [tax] laws, then we have to follow. I will try to comply whatever is required by the Act"

(Participant 12, partner, small tax consulting firm)

"*For me it is our attitude. In the context of complying with the tax law, it starts from before we do the tax…becoming a tax professional is a professional responsibility"*

(Participant 13, tax executive, small size public accounting firm)

"It is our own self…have to follow the tax regulation. My intention also influences me but I also want to help my client, so it's combination"

(Participant 16, tax executive, small size public accounting firm)

There are also suggestions that their attitudes towards the possibility of being penalised for non-compliance, the risk of losing credibility as a tax agent and the feeling of guilt for non-compliance, influence them to comply with the tax law. Some tax agents commented, for instance:

"Personally I think the factors that can influence…is the individual himself/herself, mainly…the people that I met, is all depends on that individual person. It is one's upbringing. I don't want any problem, for example I prepare a client's tax, there is something that I do not properly check, the client relies on me, I do the work for the sake of doing, so I feel guilty. The other thing is, if I don't do the work properly, later the IRB audits the client, the blame is on me, it's not nice if being penalised, professionally it is not nice"

(Participant 5, senior tax executive, medium size public accounting firm)

"Any decisions which are against the tax law will have effect on the taxpayers. It will damage our credibility as tax agents. As a tax professional I have to understand this and be ethical. The Code of Ethics by the Malaysian Institute of Accountants becomes my guideline. Membership in professional accounting bodies is indeed helpful"

(Participant 9, tax director, medium size public accounting firm)

"…depends on that particular person whether or not to comply with the tax laws, sometimes…we want to be ethical but others like our clients they refused…but if [I] don't comply with the tax law, I'll feel guilty"

(Participant 15, tax executive, small size public accounting firm)

In addition to attitudes, the discussion during the interviews also centred on the influence of social pressure imposed by referent or important others in the decision making of tax agents. The interview participants unanimously agreed that subjective norms affect their decision making to a degree. The influence of subjective norms comes from peers, superiors and friends who are in the same profession, in the form of exchanging different experiences and opinions especially in complicated tax cases. This could be due to the different level of expertise in interpreting tax laws. Interestingly, perceptions of people around them and clients can also influence their decision making. For example:

"Yes, my colleagues. Their influence may come from their experience and knowledge".

(Participant 1, tax consultant, sole practitioner)

"If there is something that I do not know, then I'll refer to my supervisor, then my supervisor will come out with her opinions, supported by the Act".

(Participant 4, senior tax executive, medium size public accounting firm)

"I think it depends on the boss as well, if my boss is not like that [strict with clients], maybe there are times that I surrender with the client. There is positive and negative influence from the colleagues".

(Participant 5, senior tax executive, medium size public accounting firm)

"*I share with my friends who are in the same profession to get their opinion. Yes, I consider the opinions of my friends who are in the same profession. Normally, I refer to senior partners about the final decision. If it is a simple case, I don't refer. It's only for complicated or big companies"*.

(Participant 9, tax director, medium size public accounting firm)

"I do refer to my superior and colleagues. Maybe they have different experience. So if they have similar experience then I use their advice on my clients. Sometimes they have similar cases, so we exchange ideas".

(Participant 11, tax executive, small size public accounting firm)

"If there are cases that require high level of technical knowledge I will ensure that I discuss first with my colleagues, we do our own research, especially in isolated cases. Not for all issues, only certain issues".

(Participant 12, partner, small tax consulting firm)

"For me the perceptions of others around me are important in complying with the tax law…influence by colleagues is an important factor for me".

(Participant 13, tax executive, small size public accounting firm)

"Influence from peers. We will ask around among ourselves, if we still cannot find the answer, then we will ask our supervisor".

(Participant 14, tax executive, small size public accounting firm)

"In cases where I am not familiar then I have to refer to someone else but in cases that I am quite familiar then I do my own research. I also seek clarification from friends working in other firms, I always ask around".

(Participant 17, manager, medium size public accounting firm)

It is also postulated that compliance behaviour with tax laws is influenced by the perceived behavioural control that tax agents possessed, which is the ability of an individual to have control and the perceived ease or difficulty in performing a behaviour. This can be influenced by personal and environmental factors such as having the skills and opportunities to engage in a particular behaviour (Fishbein & Ajzen, 2010).

When asked to comment on the influence of perceived behavioural control in complying with the tax laws, there are mixed opinions provided by the interview participants. Some interview participants agree that they have control in their decision making of whether or not to comply with the tax law, yet some interview participants disagreed, stating that they only have control at the initial stage of preparing documents for tax compliance purposes. One possible reason for the mixed of opinion is because tax agents perceived themselves as advocates who assist their clients, and eventually it is the clients who decide themselves. This could possibly lessen the influence of perceived behavioural control in complying with the tax laws. Some of the comments are presented here:

> *"Yes, I always have full control. Maybe because I understand how the tax laws work. My clients typically have little knowledge. Rather than arguing the amount of tax payable, they normally need my advice".*
>
> (Participant 1, tax consultant, sole practitioner)

> *"Not necessarily, let's say I am preparing a file for my client then finally there is something that I am not sure, so I refer to my superior. Things that I am sure, I will make my own decision".*
>
> (Participant 5, senior tax executive, medium size public accounting firm)

> *"…I'll ask the client. We will prepare the tax computation then we will see what the Act says, we discuss any other transactions, so the decision of how much tax the clients have to pay is not only based on me, it depends on the client as well".*
>
> (Participant 9, tax director, medium size public accounting firm)

"Normally, it's the client who makes the decision, we advise the client. We only advise about their tax needs, what is compulsory for those with income reaching the tax limit.

(Participant 10, tax director, small size public accounting firm)

"If possible the client does not want to pay much tax. The client will come for advice…how to reduce tax. So, we will advise the client to reduce the amount of tax according to the law, such as through claiming incentives. The decision is based on our discussion with the client and not against the Income Tax Act".

(Participant 12, partner, small tax consulting firm)

"At the end of the day, the superior made the final decision. At the beginning, yes I have control but eventually I do not have the control. Sometimes, I do not have the confidence to support my argument. Maybe because I think, my superior has more experience than me, more expert".

(Participant 14, tax executive, small size public accounting)

"My boss will make the decision. Initially, yes I'll make the decision but final decision is always my boss".

(Participant 16, tax executive, small size public accounting firm)

7.1.1.2 Ethical sensitivity and tax compliance

The issue of ethical sensitivity was also discussed during the interviews to elicit tax agents' opinions as to whether ethical sensitivity helps tax agents in this study to comply with the tax laws. Generally, tax agents who participated in the

interview agreed that ethical sensitivity is beneficial in complying with the tax laws especially after spending some time working in tax environment. They suggested that their experience in tax practice and their observation skills help to develop their ethical sensitivity. Some of the comments obtained from the interviews are presented here:

> *"Yes…[I] can see the clients try to play around with the figure…try to reduce the tax…sometimes the client thought they are good enough to hide from us, but after sometime as a tax professional, yes, we can detect".*
>
> (Participant 2, principal, medium size public accounting firm)
>
> *"Well, if we look at the clients' file, normally, we could know that the clients try to evade tax".*
>
> (Participant 6, tax director, small tax consulting firm)
>
> *"Based on my experience, during the discussion, we can detect how much tax the clients want to pay".*
>
> (Participant 9, tax director, medium size public accounting firm)
>
> *"Normally, when the clients come to us, they will inform us that they only have this amount of income…but …sometimes, they actually have other extra income. Sometimes they want to tell us, but half of the clients do not want to declare. When our clients bring their documents to us, we will see whether the documents are enough. Once we prepare their computation, and there is not enough information or it is suspicious, then…we will ask them. You could detect if you have been*

doing tax work for years. Even when we look at their documents, they could be guidelines as well".

(Participant 10, tax director, small size public accounting firm)

"It is helpful. Normally, the client will bring their documents and they will ask us to prepare the tax computation. Then…they will see whether there is anything which is against their wish. Sometimes we can detect, if there is something suspicious".

(Participant 12, partner, small tax consulting firm)

There were some interview participants, especially the junior tax agents, who appeared to be confused with the term 'ethical sensitivity' itself, possibly because as junior tax staff they only deal with less complicated tax cases. This perhaps explains the different point of view offered by the more junior interview participants with regard to the importance of ethical sensitivity. For instance:

"As a tax agent I will prepare based on the documents provided by the client, what they declare. I will not ask more than that. Basically…I could say that I still do not have the sensitivity…to detect if the client has the intention to evade tax based on the documents provided to me"

(Participant 13, tax executive, small size public accounting firm)

"So far, I don't think I have the ethical sensitivity"

(Participant 14, tax executive, small size public accounting firm)

Interestingly, an interview participant commented that ethical sensitivity does not only help in detecting the intention to evade tax, but also in identifying

any potential amount of tax that could be saved by the client according to the tax law,. The participant commented:

> *"Based on my experience, I can sense if there is 'something' with the information provided by the client. But that does not mean that 'something' always lead to unethical conduct. It could be after a thorough review, the client can actually claim certain expenses which have been previously overlooked"*
>
> (Participant 4, senior tax executive, medium size public accounting firm)

7.1.1.3 Culture and tax compliance behaviour

To understand the influence of culture in tax compliance behaviour, the interviews discussed how tax agents in the study make their decision. For instance, as mentioned in Chapter 2, it is a common practice in high a Power Distance society for decision making to be centralized with the senior staff due to the large gap between senior staff and other staff.

The findings from the interviews indicate there are mixed of opinions amongst the Malaysian interview participants with regard to how decisions are being made in complying with the tax laws. Generally, while the subordinates are allowed to give their opinions on clients' tax matters, the final decisions before advising the clients are always determined by the senior staff. However, an interview participant commented that, it is not the position as "superior" that persuades her to follow her superior's decision, but rather because the decision itself is correct. Some of the comments are provided here:

"My superior does not mind if I want to give my opinions. If I don't understand then she will explain, so if I accept her decision, it is not because she is my boss but because what she says is correct".

(Participant 5, senior tax executive, medium size public accounting firm)

"The [staff] play important roles. I accept the opinions of the staff, depends on situations. We will discuss, then we come to a decision but normally, I determine the final decision".

(Participant 6, tax director, small tax consulting firm)

"*The opinions from lower staff are also important. For every job, I'll review and discuss. I will consider the opinions by lower level staffs if it is appropriate then I will apply".*

(Participant 9, tax director, medium size public accounting firm)

"[My] staff will deal with the client first, if there is any problem then only I will meet the client. The [staff] are given the opportunity to express their opinion but the final decision is from me".

(Participant 10, tax director, small size public accounting firm)

"*Superior is important. In my opinion, whatever decision that I take, I will refer to my superior. I do not have much experience in tax work, so anything I will refer to my superior. I am afraid if I simply based on my decision, there will be problems later on, so it is better to refer to someone who is experienced".*

(Participant 11, tax executive, small size public accounting firm)

"My superior allows me to speak up. If I do my work, I will depend solely on my superior…because a junior should not go against the superior. I depend a lot on my superior. As a junior staff…I have to follow my superior…I never liaise with the IRB, my superior will handle it".

(Participant 14, tax executive, small size public accounting firm)

"I still do not have the courage to come out with my own decision…so I rely on my superior to comply with the tax law".

(Participant 15, tax executive, small size public accounting firm)

"Yes, I have discussions with my superior, and I can give my opinions since I am the one who knows about the case".

(Participant 16, manager, medium size public accounting firm)

To further understand the influence of culture in tax compliance behaviour, the interviews also discussed the willingness of interview participants to be in uncertain situations, for instance, whether or not they are willing to undertake risks in performing their roles as tax agents. Mixed opinions regarding risks and tax compliance were recorded from Malaysian tax agents in the interviews. Some of the opinions provided by the interview participants indicate that depending on situations, tax agents are willing to tolerate a certain level of risk in complying with the tax laws. On the other hand, there was agreement that dealing with risks in complying with the tax laws should be avoided due to the high cost of penalty and probability of being audited:

"No, I do not feel afraid to take risks. My clients are generally made up of small businesses which are not normally on the tax authority's sight".

(Participant 1, tax consultant, sole practitioner)

"I will go for a win-win situation, comply with the tax law and safeguard my client's interest. I always use the tax knowledge that I have to make my clients aware of their responsibility. The challenging part is to have the confidence to inform the client and of course there is also risk involved".

(Participant 3, manager, medium size public accounting firm)

"We have to take around 80-90 percent risks in our decision making…have to be brave enough to take risk depending on the facts and effects of previous amount of tax that we pay".

(Participant 9, tax director, medium size public accounting firm)

"[T]hat's why we prepare a letter of undertaking because we don't feel comfortable to take risk".

(Participant 10, tax director, small size public accounting firm)

"[W]e prepared an undertaking letter, stating the extent of our responsibility in preparing the tax return, so if there is any audit the client cannot blame us because we prepared the tax computation based on the information provided to us…the client has to sign the letter of undertaking. I don't feel comfortable to prepare based on estimation

because the risk is high. As a tax professional we have to be ethical in our dealings so that there is no risk in the future".

(Participant 11, tax executive, small size public accounting firm)

"It depends, yes or no. Whatever it is, my superior always reminds me to reduce the risks".

(Participant 16, manager, medium size public accounting firm)

"Basically when I assist my client, I want them to fully comply with the tax law because I do not [want] any problems with the IRB. For me, I do not want any problems with the IRB, being subject to audit in the future. I make it clear to my clients, whatever type of job, whatever documents provided to me, I will rely on the audited accounts, at the end it depends on the client, as to my knowledge, what is being said by the client is correct and of course the audited accounts…those things which are sensitive to the IRB, I'll ask for breakdown, like management fees, professional fees, but if the client still cannot provide the proof, it is simple, no deduction. Once a client is being audited, then tax agents cannot simply 'wash their hands', the tax agent is in trouble because the clients can always say they have tax agent and we, tax agent should know".

(Participant 5, senior tax executive, medium size public accounting firm)

"We want to minimise our tax risks. We do research on grey areas…we look at the relevant tax laws and what has been decided in the court. The non-compliance with the tax laws results in high penalty, so we cannot take risks on behalf of our client".

(Participant 17, manager, medium size public accounting firm)

To probe further the influence of culture in tax compliance behaviour, the issue of whether or not tax agents consider the effect of decision making in tax compliance benefits or harms society was also raised. While there was agreement among tax agents to consider the effect of complying with the tax law to the society and country, a majority of the interview participants did not consider the effect on society in complying with the tax laws. To many of the interview participants, they held the opinion that their duty is to assist their clients and safeguard the interests of their clients. Therefore, they are less concerned with the effect of their decision making to society or country as a whole. Some of their comments are presented here:

"Yes, I consider the mutual benefits or effects that may be gained or suffered by both the society and also the taxpayers [client] who also form part of the society".

(Participant 1, tax consultant, sole practitioner)

"As a tax professional, I never think about the effect to society or country, but if the client has to pay then I always say…'you contribute to the development of the country".

(Participant 4, senior tax executive, medium size public accounting firm)

"[N]ever think about the effect to the society…maybe because I have very little knowledge about how the money from tax is being spent in black and white".

(Participant 5, senior tax executive, medium size public accounting firm)

"[T]think about the effect to the society, the wealthy people try to escape tax, that's not fair".

(Participant 7, tax consultant, sole practitioner)

"I don't reach that level…to think about the effect to the society and country. In assisting my client, I will think about my responsibility as tax professionals and try to put myself in client's situation so that I know whether the amount of tax paid is reasonable or appropriate with the income".

(Participant 9, tax director, medium size public accounting firm)

"The income from tax contributes significantly to our country. The tax is being used for many things, if there is less income, then, there are fewer benefits that can be enjoyed. So the effect is to the society and country".

(Participant 10, tax director, small size public accounting firm)

"As an individual, what are the risks involved. I think as well the effect to the society, but more to the effect to individual taxpayers".

(Participant 11, tax executive, small size public accounting firm)

"Me and my client…I have to take care of my client because they pay me. But I'll make sure that the client complies with the tax laws. Normally the clients listen to me".

(Participant 12, partner, small tax consulting firm)

"I never think about the effect to the society or country. I only think about the benefit to the clients".

(Participant 15, tax executive, small size public accounting firm)

7.2 New Zealand

In New Zealand, the researcher sent out 1,500 invitations to participate in interviews, together with the survey. At the beginning of the interview process, 17 survey respondents indicated their interest to participate in the interview. However, 3 of them did not answer the telephone calls seeking their involvement, resulting in a final number of 14 participants for the interview study. The interview participants came from various positions, types of firm, and generally are experienced tax agents based on the years of service in tax practice. The interviews were conducted between November 2011 and February 2012.

The demographic profiles of the New Zealand interview participants indicate that 11 males and 3 females participated in the interviews. In terms of positions in the firms, the interview participants are regarded to be at the middle and high levels of positions as indicated below.

(1) One tax accountant

(2) One tax associate

(3) Four tax directors

(4) Seven tax consultants

(5) One partner

The middle and high level positions held by the interview participants from New Zealand could possibly be related to the number of years they have been involved in tax practice. In this study, the interview participants ranged from those with more than five years of tax experience to those who have more than twenty one years of tax experience. Half of the interview participants from New Zealand have more than 20 years of tax working experience as indicated below:

1. Between five to ten years of tax experience – 2 participants

2. Between sixteen to twenty years of tax experience – 5 participants

3. Twenty one years of tax experience and more – 7 participants

Similar to Malaysia, the interview participants also came from different types and sizes of firms in public practices, ranging from sole practitioners, tax consulting firms and public accounting firms. The background of their firms is as follows:

(1) Sole practitioner – 3 participants

(2) Small tax consulting firms – 4 participants

(3) Medium sized tax consulting firm – 1 participant

(4) Medium sized public accounting firm – 3 participants

(5) Small size public accounting firm – 3 participants

The demographic backgrounds of the interview participants are expected to provide an interesting insight into tax compliance behaviour of tax agents in New Zealand. Furthermore, most of the tax agents in this interview have a high level of experience, based on the period spent in a tax working environment. The following Table 7.2 presents the demographic background of the interview participants from New Zealand.

Table 7.2 Demographic Profiles of Interview Participants – New Zealand

Position	Gender	Years of experience in tax practice	Type of firms	Reference in the thesis
Tax Associates	Male	10	Small size public accounting firm	Participant A
Tax Director	Male	21	Medium size public accounting firm	Participant B
Tax Director	Male	16	Medium size public accounting firm	Participant C
Tax Consultant	Male	28	Small size tax consulting firm	Participant D
Tax Consultant	Female	27	Sole practitioner	Participant E
Tax Accountant	Male	5	Small size public accounting firm	Participant F
Tax Director	Male	20	Small size public accounting firm	Participant G
Tax Consultant	Female	26	Sole practitioner	Participant H
Tax Consultant	Male	24	Small size tax consulting firm	Participant I
Tax Consultant	Male	31	Small tax consulting firm	Participant J
Tax Consultant	Male	16	Sole practitioner	Participant K
Tax Consultant	Male	30	Medium size tax consulting firm	Participant L
Partner	Male	20	Medium size public accounting firm	Participant M
Tax Director	Female	20	Small tax consulting firm	Participant N

7.2.1 Data analysis and interview findings

7.2.1.1 Tax compliance behaviour

In explaining their understanding about tax compliance behaviour, the general understanding of the tax agents who participated in the interviews described tax compliance as following the tax laws, legislation, complying with the NZIRD requirements, meeting the deadlines for filing the tax returns and paying the amount of tax due accordingly. Some of the comments are reproduced here:

> *"Tax compliance means comply with the tax legislation. Taxpayers complete the file for their tax return, declare their income in accordance with the tax legislation, pay the tax due accordingly".*
>
> (Participant M, partner, medium size public accounting firm)

> *"Complying with the requirements from the tax department… I mean it includes filing the tax returns on time, paying the tax on time, you know…making sure it is correct to the best of your ability. Filing the tax return on time, that includes paying on time. You are complying with ethics in mind".*
>
> (Participant N, tax director, small tax consulting firm)

> *"[T]ax compliance would basically mean meeting all the legislation, laws set by the government and following any sort of process that the IRD may have in following those tax laws".*
>
> (Participant F, tax accountant, small size public accounting firm)

"Tax compliance is to adhere to all the tax law, applicable to the particular tax types we are dealing with…and most of the taxation system is strict in compliance and require taxpayers to completely meet the filing of tax return and in compliant with the time frame to make payment".

(Participant L, tax consultant, medium size tax consulting firm)

There is also an opinion that tax compliance is not only about fulfilling the tax obligations set out by the tax laws, rules and legislation. As commented by an interview participant, tax compliance also means avoiding over paying or under paying the correct amount of tax, and as a tax agent, assisting their clients in interpreting the tax law especially in grey areas:

"I guess for me, tax compliance is about…compliance, ensuring your clients meet the obligations under the New Zealand tax legislation without paying too little tax or too much tax…and also tax compliance is resolving for clients, you know, grey areas around the interpretation of legislation and the likes…"

(Participant A, tax associate, small size public accounting firm)

An interview participant also commented that, since tax compliance means meeting tax obligations, the most important thing in tax compliance is to understand the tax rules and therefore, tax law should be easy to understand:

"It's about meeting tax obligations. I suppose the first thing is the ability to understand what the tax rules are. For instance in the case of Penny and Hooper, it has been undefined for years and the IRD has not

clearly determined what is acceptable and what is not acceptable…how ethics is defined is very subjective, there is no clear guidance. In a voluntary compliance, people have to be good on their own, manage their resources, complying with the tax law, those who don't, rely on tax professional. It reflects the tax regime should be easy to understand".

(Participant C, tax director, medium size public accounting firm)

Another point to be considered in complying with the tax, law as noted by an interview participant, is that, being ethical in a tax context is situational. For instance, to an extent complying with the tax law is influenced by the amount of tax involved:

"Tax compliance…is following the tax rules, GST rules…the level of IRD investigation in New Zealand involves extremely large amount…tax audits for small business are very rare. It is interesting that you just put a small amount of dollars in your survey, if you put larger amount, the responses would be different".

(Participant I, tax consultant, small size tax consulting firm)

The interview also delved into the tax agents' perceptions towards the influence of their attitude in complying with the tax laws. The interview responses indicate that generally they agree their attitude to an extent influences their decision making to comply with the tax law. They associated attitudes with moral obligation as NZICA members, fairness, ethics, reputation, trade-off between costs and benefits, and also the complexity of the tax legislation, which can be evidenced from the following comments:

"We are…engaged by the client and my job is basically engaged by the client to work for them…I would say that we would not always take the most conservative approach on behalf of our clients but neither we are likely to overtake the legislation. The moral obligation under the NZICA rules, obviously we are not allowed to file a tax return which we know is definitely incorrect…for me it's a way of doing it. I guess it's a little bit of fairness issues and moral issue. That becomes the foundation for me".

(Participant A, tax associate, small size public accounting firm)

"I want to make sure I do comply with the tax law when I try to keep up to date and that is my policy. I want to make sure that I apply what I know, to my client's case. Maybe it means that…attitude. It's quite a grey area in tax. It depends on where you want to be. You can't be seen dishonest. I don't want that reputation. My reputation is very important".

(Participant E, tax consultant, sole practitioner)

"Generally my decision making is based on what I think is correctly following the legal position…it's often legal position that keeps on going, but generally I am interested only to see it from a legal position".

(Participant H, tax consultant, sole practitioner)

"Well…I think personally I try to get it right by the book. I do know there are tax professionals who do not mind and quite happy with it.

Firstly, I want to put it right. I mean there are some situations that you might…the other philosophy I have is the cost and benefit. For example, I am doing a tax file for a few years and I know there are mistakes in the previous years…so what is the quantum of the mistakes, whether is it worth an assessment this year. Normally, what I do is I will see if it is something minor and take a lot of time to detect and re-do, and the cost is minimal…then I don't bother a minor mistake".

(Participant N, tax director, small tax consulting firm)

"I know that tax practice is part of professional service. My attitude is…sometimes there are too many things need to comply which could be costly to businesses and time consuming, and demanding…so it becomes too complex and demanding…at the end of the day, the government has to provide services and someone has to pay for it. It doesn't however to be complicated…as a member of NZICA, you are bound by the Institute's rules, you have less flexibility, you have to be more strict in following the rules".

(Participant J, tax consultant, small tax consulting firm)

"[T]he individuals' interpretation of what is right and what is wrong. My own personal attitude towards tax compliance is a strong motivation that influences my approach in advising client…the rules are here for everyone".

(Participant L, tax consultant, medium size tax consulting firm)

"To me fear on behalf of the client is far more important than some other factors. It's fear towards the IRD. When the client comes to us, they may not say it but one of the reasons why the client used Certified Accountant is they do not want to override the law and being imposed penalty…the penalty is very expensive".

(Participant I, tax consultant, small size tax consulting firm)

The fear towards the NZIRD is also supported by other tax agents who commented on the aggressive approach by the NZIRD in 'ensuring' tax compliance in New Zealand.

"…I wouldn't want to take risks…when it comes to tax laws. Do you see the IRD is doing a lot more audit?"

(Participant F, tax accountant, small size public accounting firm)

"The approach of the IRD is becoming more aggressive. They are looking at every loophole".

(Participant H, tax consultant, sole practitioner)

"The Revenue [authority] is extremely aggressive towards taxpayers. Their approach is extremely aggressive".

(Participant G, tax director, small size public accounting firm)

The interviews also asked whether or not the social pressure from important others, or people around tax agents, influence them in their compliance behaviour. There was agreement that the social pressure from people around tax agents, to a certain extent, influences them in complying with the tax laws while performing

their engagement roles. Depending on the complexity of the tax cases and their level of expertise, tax agents in the interviews also sought opinions from other tax experts, either internally or externally. For instance, there are interview participants who sought the opinion of tax experts in the 'Big Four' public accounting firms and the tax advisory services managed by the NZICA:

"I go to the specialist, for certain specific issues…like those from the Big Four".

(Participant C, tax director, medium size public accounting firm)

"In situation where you are not clear about something, you will ask your colleagues, other tax practitioner, that's done before you address the case to your client".

(Participant I, tax consultant, sole practitioner)

"Yes, different tax professionals have different views. We always discuss our views. In a way they influence me".

(Participant M, partner, medium size public accounting firm)

"…I would look at the Master tax guide. I would also look at the IRD's website, if there is something unclear about it. I talk to my tax practitioners friends or if I still could not figure it out, I ask the Institute of Chartered Accountant because they run a tax advisory service. I don't like to ask them too much. I don't like to always on asking them. I don't like sending them emails every week, so I try to find out on my own and sometimes I look for courses. Often when there is something new, there are courses…and yes, they do, my friends in tax profession,

because if I have sort of questions, I ask them, and we talk about it and in that way they influence me".

(Participant E, tax consultant, sole practitioner)

"Yes, sometimes…because I am living in Hawkes Bay, I have far less day to day contact then I would have if I stay in Auckland or Wellington".

(Participant H, tax consultant, sole practitioner)

"Yes, people around me, I take advice both from my colleagues and external tax professionals".

(Participant G, tax director, small size public accounting firm)

"The complexity of the clients' cases determines whether or not I have sufficient knowledge to be able to advise my clients. Sometimes…me and a number of I know…if it is too complicated, I invite other tax experts…it is way beyond my understanding…I have sufficient knowledge but there are things which need high level of expertise…because I am in small to medium size…not all the time complexity arises but time and again they just pop up…I will go to other experts…probably the Big Four because they are dealing with a lot of complexity…not often but when it is too complicated…that's of course before you go to client. Again, what is complex to me may not be the same to you or anyone else".

(Participant J, tax consultant, small tax consulting firm)

"Certainly, my friends in the tax profession in a way influence me. Any particular situation is subject to degree of interpretation and it is useful to have an outside view".

(Participant C, tax director, medium size public accounting firm)

"...I do refer if it's a very complicated case, to KPMG or some specialist".

(Participant D, tax consultant, small tax consulting)

In discussing the influence of subjective norms in tax compliance, there are also suggestions that perceptions of people around tax agents are important in their decision making. For instance:

"We looked at the fact of the case, we come down with those who have more experience, like the senior accountants and the tax partner, we look at it…not only from the dollar and cents, but the risks as well, not only the risk to the client but also, the risk to the firm. The kind of people that I deal on the tax work, the whole team are senior employees or senior tax professional, they provide a more matured approach in decision making. I regularly socialise at various courses and meet some other tax professionals around where we do talk about development in tax issues…I guess you know you do not want to be seen among your peers as being overly aggressive with the tax planning, but you do not want to be seen to be conservative as well".

(Participant A, tax associate, small size public accounting firm)

"I would say my family and friends could influence me. Some of them have the accounting background. I would like to clarify, when I say my family, they influence me on the attitude of complying with the tax law…other motivation, I guess reputation within the organization, my friends and colleagues within the accounting industry and also reputation of the firm, because we do not want bad publicity".

(Participant F, tax accountant, small size public accounting firm)

The discussions in the interviews also focused on the influence of perceived behavioural control in complying with the tax law. Generally, there are mixed opinions with regard to the influence of perceived behavioural control by the interview participants. Some agree that they have the control, yet there are tax agents who suggest that, as tax agents, they can only advise their clients, but the final decision is the responsibility of the taxpayers:

"We will outline an interpretation for the client but at the end of the day, we will probably outline a number of options for them, a number of outcomes, some may be more conservative for the client but some may be more aggressive for the client, but at the end of the day we leave the decision up to the client based on all the facts, to have the final say, which I guess it comes down to the particular client's risk profile".

(Participant A, tax associate, small size public accounting firm)

"The final decision is upon me, initially I will discuss with the manager and the accountants".

(Participant M, partner, medium size public accounting firm)

"…when you are at your level, you'll have the control. People who do not have the control might be the juniors".

(Participant N, tax director, small tax consulting firm)

"Client always…the decision is always with the client…might be based on our recommendations but what we do we always put forward the recommendation. We would have…there are a few options available, we are not in the position to provide all recommendations because some of them might not be relevant…and I think we have some control because we would probably put more emphasis on one particular options than the others. At the end of the day, it's the clients' decision"

(Participant G, tax director, small size public accounting firm)

"So far yes, as a professional I would have control, which options…to give to clients…you are very much in control, it determines that you have done a good job but you can only recommend to the client. At the end of the day, it's the client who determines to accept or not to accept…it depends on the relationship with the client as well…if you have good relationship then most of the time, they will take your advice".

(Participant J, tax consultant, small tax consulting)

7.2.1.2 Ethical sensitivity and tax compliance

Generally, the interview participants in New Zealand agreed that ethical sensitivity helps them in complying with the tax law. Similar to Malaysian tax

agents, the interview participants in New Zealand also commented that their experience has helped them in developing their ethical sensitivity. For instance:

> "*Over the years you can tell if someone tries to cross the law. The particular individual ethics are reflected in complying with the tax law".*
>
> (Participant C, tax director, medium size public accounting firm)
>
> *"…tax experience is the best teacher, which guides you when something does not seem right, something seems to be pushed to the boundary, something so good to be true and you at that time start to feel you want to look closer…but you have to be mindful not to look at something which is not necessary".*
>
> (Participant L, tax consultant, medium size public accounting firm)
>
> *"Yes, I think I would…if I look at the documents. It took sometime".*
>
> (Participant M, principal, medium size public accounting firm)

As commented by an interview participant, it is also interesting to note that ethical sensitivity could be useful for tax agents to determine the type of advice given to their clients. Based on the risk profiles of their clients, there is a suggestion here that tax agents use their ethical sensitivity to determine whether or not an aggressive approach is suitable for a particular client in the process of complying with the tax law. The findings are consistent with Tan (2011) who found that the type of advice given by tax agents to their clients to a certain extent is influenced by the clients' risk propensities:

"In [the] real world, some clients are more aggressive and some other clients are less aggressive, the ethical sensitivity becomes a boundary…what type of advice to give to the clients. Sometimes, we probably would detect clients who try to evade, sometimes we wouldn't. For clients, they really want to get through some deductions that they know is 100 percent correct…they will hide in their accounting system, something which is incorrect".

(Participant A, tax associate, medium size public accounting firm)

During the interviews, there were also tax agents who indicated that they use their ethical sensitivity to assist them in their consideration of accepting an appointment as tax agent or to retain a client. For instance:

"Actually, we did have a person who tried to be our client but we do not accept people who have the intention to act unethically with the New Zealand tax law…".

(Participant F, tax accountant, small size public accounting firm)

"We should be encouraging our clients, recommending our clients to comply with the tax law. Yes, we have turned down clients who are aggressive, that they are looking at transaction which are basically tax evasion".

(Participant G, tax director, small size public accounting firm)

Notwithstanding ethical sensitivity is useful to help tax agents in complying with the tax law, having ethical sensitivity on the part of tax agents does not necessarily result in complying with the tax laws on the part of their clients. This is

most likely because tax agents' roles are restricted to advising their clients based on the information given and ultimately it is the clients themselves who make the decision whether or not to comply with the tax laws. Some of the comments are presented here:

> *"[W]e provide the clients with the correct information, so they make their own decision, so…our responsibility ends as providing the information and they make the decision and sign off the tax return at the end of the day. If someone comes to me with dodgy information…well…I would really be sceptical about the information…and be very aggressive in making sure the right amount of income was true".*
>
> (Participant B, tax director, small size public accounting firm)

> *"Yes, to some extent. We are all aware that my clients who are dealing with cash do not declare all their income. We encourage our client to comply with the tax law. If the money goes back to the bank account, then we know but if the money goes to their back pocket, we do not know. We know the ratio but we do not know how much".*
>
> (Participant I, tax consultant, sole practitioner)

> *"You can determine that…most of the time the client themselves, they want to follow the law…so it could be, someone else who has the technical knowledge, doing that for them. It could be a dodgy accountant. But, we can always argue that we do on the basis of information provided to us. There is a disclaimer on that. The*

disclaimer is a protection and we cannot prepare anything without the disclaimer. The ethics here is a broad issue. If you want to be honest, maintain your reputation, then you have to follow the ethics. So there are two ways looking at it, that you are not aware and rely on the information provided to you or you are aware but choose not to, there is where ethics come in".

(Participant J, tax consultant, small tax accounting firm)

7.2.1.3 Culture in tax compliance behaviour

The influence of culture in the tax compliance behaviour of tax agents was also brought up during the interviews. Similar to Malaysian tax agents, the discussion was initially focused on how the New Zealand interview participants make decisions before advising their clients. Generally, the tax agents in the study suggested that the more junior staff have the opportunity to express their opinion, and as commented by an interview participant, while the final decision is always determined by the more senior staff, the decision making itself is based on a consultative approach. Some of the comments are presented here:

"I guess in terms of colleagues, being the tax made at my firm…probably more from the senior accountant and the partner…and the expectation that I advise appropriately a client regarding tax matters…and the other partner relies on my expertise to advise client, prepare the most recent opinion or other advisory engagement to make sure the advice is well researched, well structured".

(Participant A, tax associate, small size public accounting firm)

"I let them to express their opinion. Tax is so complex, sometimes I miss something and they always change my decision. They know much of the case from the beginning".

(Participant M, partner, medium size public accounting firm)

"They, the staff, will discuss with me, then if it is too technical or not clear, we might discuss with another tax lady who is much senior…".

(Participant N, tax director, small tax consulting firm)

"I look at the particular case, look at what the facts are, important factors of the case, make sure understand all the background, so I need to understand the background to find options…discuss the facts with people in the office and external tax expert".

(Participant G, tax director, small size public accounting firm)

"I do invite them to give opinion with the knowledge that they have. The simple things…but others much more complicated I take upon myself".

(Participant J, tax consultant, small tax consulting)

"Generally, it comes down to the individual responsibility to make the final decision, but it's a consultative approach".

(Participant L, tax consultant, medium size tax consulting firm)

"Yes, staff under me have the opportunity to give [an] opinion but the final decision is me and the client".

(Participant D, tax consultant, small tax consulting firm)

"The staff deals with client on more general issues, the partners deal with more technical issues. The staff will prepare the GST return for instance but the amount of tax will be decided by one of the directors".

(Participant B, tax director, medium size public accounting firm)

Another topic brought up during the interviews was how comfortable tax agents may be in uncertain situations. For that purpose, the interviews discussed whether or not tax agents feel comfortable to take risks while performing their engagement roles. There was agreement by some tax agents that they felt comfortable with risks, while on the other hand, some tax agents indicated their preference not to be in risky situations while complying with the tax laws. Some of the opinions are stated below:

"I am very in the middle with risks. If the client is asking me to do something, I'll look at it, depending on the situation".

(Participant M, partner, medium size public accounting firm)

"I am very conservative. In terms of grey areas, no…no…I am pretty conservative. I do not want to be investigated by the IRD and what if later proven I am wrong, the client would blame me. I would rather comply absolutely with the tax law".

(Participant E, tax consultant, sole practitioner)

"…I wouldn't want to take risks…when it comes to tax laws. Do you see the IRD is doing a lot more audit? …and also being the member of the Institute (NZICA), if you take risks like that you can be quite in trouble…and also if we create a very bad culture in our firm…we take

big risks for our client. We try to avoid risks, at all cost and we really…even if our client asks us to take risks, we will analyse whether it is highly unethical or just maybe marginal".

(Participant F, tax accountant, small size public accounting firm)

"I think…as a sole practitioner it is one of the big risks not having 2 or 3 people around, sometimes I do this and I can do that, but it's not without big cost…that's always a reluctant. I would be really nervous to giving wrong answer. When I look at it carefully and allowed time, I am confident with my answer, but if the time is not allowable, then I'll nervous. It's not so much about taking risk, I don't mind taking risk, but being a sole practitioner it is easier to make mistake…but having said that, you find people working in firms with many partners also always make mistake".

(Participant H, tax consultant, sole practitioner)

"…in terms of taking risks, if I believe something is a way beyond of my knowledge, I would probably not to take risks at all. As a professional, I am liable to be sued by my clients. I do take risks, but not often".

(Participant J, tax consultant, small tax consulting firm)

"If there is $200 in the account from interest then you don't want to declare…yes, there are risks but the $200 is not worth to do it, it's not economical to chase it, yes you may get caught doing it…we look at acceptable risks…another thing is risks around to determine how tax

law should be applied to situation…look we can do that, but the cost is a lot more, no adding values to that".

(Participant C, tax director, medium size public accounting firm)

"*It depends on the situations and depends on the type of the clients is interested in. Some clients maybe, are more conservative or aggressive. I am doing my family's tax as well. I would take a middle road. Tax law is a grey area. It's how you interpret it. One of the difficulties of a tax practitioner is there is a lot of grey areas in law. It's so upset…even though I didn't have clients like the Penny and Hooper type".*

(Participant D, tax consultant, small tax consulting firm)

"Calculated risk I suppose. I wouldn't want to push someone to an extreme position and might end up what we advise them is not based on rules. Again, this is an area where there is grey area and that the client pushes to the boundaries".

(Participant B, tax director, medium size public accounting firm)

The influence of culture in tax compliance behaviour of tax agents was also described from their perceptions towards benefits or harm to society as a result of their decision making. Based on the comments provided by the interview participants, a majority of them do not consider the benefits to society when making tax decisions. Most likely because, they regard themselves as advocates for their clients and thus, priority should be to the economic benefits of the clients. Some of the comments are presented here:

"[W]e are looking for the benefits of the client, we are engaged by the client. We produce the work for them…we are paid to give the best outcome to them…".

(Participant A, tax associate, small size public accounting firm)

"I suppose the benefit of the society…what I mean there's a law which make people to comply. I am thinking more of maintaining a system to make people comply".

(Participant E, tax consultant, sole practitioner)

"I advise the client to comply with the tax law, for instance advising on the long term investment. I only agree to reduce tax within the tax legislation. Reducing the tax liability of my client legally, I am sitting on the bench of my client".

(Participant M, partner, medium size public accounting firm)

"Benefits to the clients are the priority, no…I don't think about the benefit to the society".

(Participant G, tax director, small size public accounting firm)

"Yes, I do consider…but not to the extent we see people eligible for benefits from other people".

(Participant N, tax director, small tax consulting firm)

"I look at myself as a good citizen, following the NZ standard in terms of practising as a professional. My professional status is important to

me. I don't want to be seen as lousy accountant, manipulating the book, it takes a while to build up reputation".

(Participant J, tax consultant, small tax consulting)

"When it comes to…when dealing with our clients, not only we advise our clients about tax compliance law but we also do consulting, we help them minimise their tax liability according to NZ law. So, just making sure the actions are legal and making sure they are not overpaying tax. You can say we want to have a better relationship with our client and that means more fees for us…it will be more on the client rather than the society at large".

(Participant F, tax accountant, small size public accounting firm)

"Certainly, cost of the client…the fees cost, obviously I have to take into account the law and I've got to take into account the client's risk tolerance".

(Participant I, tax consultant, small size tax consulting)

7.3 Discussions of the interview findings: Malaysia and New Zealand

The earlier sections in this chapter have demonstrated the perceptions of Malaysian and New Zealand tax agents with regard to their tax compliance behaviour in general, the influence of attitudes, social pressure from important or referent others, perceived control, ethical sensitivity and culture in complying with the tax laws. To further understand their tax compliance behaviour, the findings from the interviews are summarised to find any similarities or differences in the opinions.

Overall, based on their interview responses, both Malaysian and New Zealand interview participants have similar understanding with regard to tax compliance. Interestingly, when delving into each concept from the interview the findings indicate some differences on how tax agents interpret the concepts. Generally, interview participants from Malaysia and New Zealand understand tax compliance as complying with the tax act, rules, regulations and the requirement by the tax authorities. Their understanding is translated by meeting the deadlines for filing tax return, settling any amount of tax due within the stipulated period, preparing proper documentation and declaring their income and expenses accordingly.

There is also agreement by interview participants from both countries that tax compliance is also understood as upholding justice on the sides of taxpayers and tax authority. This could be achieved by ensuring that taxpayers do not overpay or underpay tax. Overpayment of tax for instance could mean taxpayers are over-compliance whilst underpayment of tax could result into less income for tax authorities. When probed further, there was also agreement by interview participants from Malaysia and New Zealand that tax compliance could be achieved if taxpayers understand the tax rules. As commented by an interview participant from Malaysia, since the roles of tax agents are to assist their clients, tax agents have to ensure that they have sound technical knowledge. In New Zealand, there is agreement that since understanding tax rules is important to motivate tax compliance, tax laws should be easy to understand and not complicated. In addition, interview participants in New Zealand argued that being ethical in complying with the tax law connotes a subjective interpretation based on

the recent judgment of the Supreme Court of New Zealand in the case of *Penny & Hooper v CIR* (Elliffe, 2011).

Interestingly, there is agreement by interview participants in both countries that complying with the tax law to a certain extent is situation specific. In Malaysia, for instance, a tax agent commented on the need to be flexible when dealing with their clients in extraordinary cases and cited natural disasters as an example. In New Zealand, on the other hand, situation specific refers more to the amount of tax involved. For instance, there is a suggestion that their level of compliance to an extent depends on the amount of tax and risks involved in the transaction. Consistent with Jones (1991), this perhaps indicates that being ethical in tax compliance depends on the intensity of the moral issue, which is situation specific. There is a possibility that if the amount of tax or risk is minimal, then tax agents would regard the intensity of the moral issue as low and would response differently to tax compliance.

The discussion in the interviews also attempted to understand the influence of attitudes of tax agents in complying with the tax law. Generally, the interview participants in both countries concur that their attitude could influence their tax compliance behaviour. For instance, there is agreement by some interview participants that as tax agents they perceived themselves as professionals who are obligated to abide the professional ethical rules. As members of professional bodies, such as NZICA and MIA, they are bound by the Institutes' rules in their professional judgment. In addition, some interview participants in both countries addressed their fear that if they as tax agents do not comply with the tax laws in assisting their clients, the repercussions will be felt by their clients, such as

becoming the subject of tax audit or being penalised by the tax authority. As a result, they will lose their credibility or will be perceived as being dishonest by their clients, which could damage their reputation as tax agents. There is also agreement by New Zealand tax agents that the tax authority is becoming more aggressive in their approach and to an extent, their fear towards NZIRD influences their compliance behaviour to abide tax laws.

The influence of attitude in complying with the tax law is also translated by the feeling of guilt for non-compliance, as commented by an interview participant from Malaysia. In New Zealand, the influence of attitudes is also described as ensuring fairness by the relevant tax players in the tax system. For instance, in some circumstances, tax agents may take an aggressive tax approach on behalf of their clients but that does not mean overriding the tax laws. Interestingly, there is also an opinion that tax agents' attitude to tax compliance to some extent is influenced by the trade-off between costs and benefits. As commented by an interview participant, mistakes made in previous years' tax returns are only worth re-assessment if it would be cost effective. Again, the complexity of the tax laws in New Zealand was raised during the discussion. Arguably, the complexity of the tax law results in high cost for businesses, and is time consuming, since tax agents have to comply with 'too many' tax requirements.

The interview participants from Malaysia and New Zealand also unanimously agree that to an extent, that there is influence from referent or important others (subjective norms) in their decision making. Peers, superiors and friends in the same profession, could influence the decision making of the tax agents in this interview study. The influence could come from exchanging opinions

and experiences especially in complicated tax situations. As commented by some interview participants, in many cases the complexity of the tax law and the level of knowledge that they possess will determine whether or not this influence exists.

Interestingly, in New Zealand, some interview participants also sought the help from tax specialists from the 'Big Four' public accounting firms and NZCIA's tax advisory services. This in a way indicates the dominant influence of 'Big Four' public accounting firms in the tax profession and the importance of tax agents in the 'Big Four' public accounting firms to be more ethical, since they are not only providing their expert opinions to their taxpayer clients, but to other tax agents, especially from smaller firms or sole practitioners. In addition, the interview findings also suggest the importance of NZICA, as a resource centre in assisting their members. The assistance of NZICA through the tax advisory services to its members could also be translated as providing indirect training to members with regard to being ethical in their decision making. In New Zealand, the perception of peers is also considered as an important factor in decision making. There are suggestions that tax agents do not want to be seen as too conservative or too aggressive in their tax approach while assisting their clients or be perceived as not being capable, despite requesting help from other tax specialists. During the interviews, there is also a suggestion from New Zealand tax agents that another concern in complying with the tax laws is the bad reputation to the firm from the decision making of tax agents, which is something they try to avoid.

The discussion in the interviews also delved into the importance of perceived control in the decision making of tax agents. The findings suggest that Malaysian and New Zealand interview participants had similar views on the

influence of perceived control in their decision making. Some interview participants believe that they have control, whilst some disagree. In Malaysia, some interview participants suggest that they only have control at the initial stage of decision making. This is most likely because they may not have reached a certain level of expertise that is required in the decision making process. When probed further, those tax agents who believe that they have control, explained that they have the control in providing the type of advice to their clients, but not necessarily in the final decision making. This is because their role is to assist their clients and the final decision making is made by the clients based on the recommendations of tax agents. They also commented that, to a degree, having a good relationship with clients becomes another factor which determines whether or not clients will make decisions based on their recommendation.

With regard to ethical sensitivity, the interview participants from Malaysia and New Zealand had similar views that ethical sensitivity is helpful in complying with the tax laws. When inquiring further, interview participants from Malaysia responded that ethical sensitivity is useful to avoid unethical conduct in tax practice and at the same time this may have a positive influence, such as in identifying potential tax claims for the clients which may have been initially overlooked. In New Zealand, ethical sensitivity is considered as helpful in assisting tax agents to provide the type of advice to their clients based on the risks profile of the clients. For instance, tax agents use their ethical sensitivity to decide whether or not an aggressive tax approach is suitable for a particular client. Some interview participants from New Zealand also suggested that their ethical sensitivity to a certain extent helps them to understand their client and serves as a guideline to

either to accept or decline appointment as a tax agent. The interview participants from both countries also agreed that their ethical sensitivity is developed through experience. Despite the support for ethical sensitivity, some interview participants have different opinions. More junior interview participants from Malaysia, for instance, indicate that they have yet to reach the level of having ethical sensitivity in complying with the tax law, possibly because junior staff does not handle complicated tax cases. In New Zealand, as commented by an interview participant, having ethical sensitivity does not necessarily mean complying with the tax law since it also depends on the ethical belief of the tax agents.

The study also recorded mixed opinions amongst interview participants from both countries with regard to the influence of culture in complying with the tax laws. The influence of culture in this interview study is predominantly explored from three aspects: the gap in decision making whether or not more junior staff are given the opportunity to contribute to the decision making before advising the client; willingness to be in uncertain situations such as taking risk; and their consideration for the benefit of society in their decision making while performing their roles as tax agents. Apart from those three abovementioned aspects, in interpreting the influence of culture, the researcher also examined the existence of cultural traits in all of their interview responses. Similar to the approach used in a series of interviews with SME operators, tax agents and business experts in New Zealand by Yong (2011), the interplay of cultures based on Hofstede's (1980) National Cultural Dimensions were used as a basis to explain the influence of culture in tax compliance behaviour of tax agents.

When discussing the gap in decision making between the more junior and senior staff, interview participants from both countries concurred that more junior staff have the opportunity to contribute ideas in the decision making before advising their clients. However, the final decision to suggest the type of advice given to the client was always in the hands of the senior staff. As commented by an interview participant from New Zealand, while the final decision is always based on senior staff's decision, the approach to arrive at the decision is more consultative than autocratic. This is also supported by a comment from an interview participant in Malaysia that it is not the position of senior staff that makes their decisions accepted, but it is because the senior staff's opinions are more accurate. Based on the comments from more junior staff from Malaysia, indicate that more junior staff feel more comfortable to rely on their superior in making decisions. As commented by an interview participant from Malaysia, the lack of experience to a certain extent limits their courage to come out with their own decision in assisting their clients.

The interviews also tackled how comfortable tax agents are with uncertainties in their tax practices. Based on their comments, there are mixed opinions with respect to their willingness to undertake risks in complying with the tax laws. There is agreement by some Malaysian interview participants to consider undertaking risks of certain amount in performing their roles. However, they do not elaborate on the basis to determine the amount of risks they considered acceptable. Similar to the Malaysian interview participants, the New Zealand tax agents in the interview study indicate their willingness to undertake risks. When probed further, they mentioned cost and benefits as the basis to determine the level of risks that

they would tolerate in complying with the tax laws. On the other hand, there are interview participants in Malaysia and New Zealand who avoid taking any risks, and cited high penalties and the possibility of being audited by the tax authority as reasons for not undertaking risks in complying with the tax laws.

In an attempt to understand the influence of culture in tax compliance, the interview participants were also asked to comment whether or not they consider the benefits to society in their decision making while performing their roles. The interview analysis indicates that tax agents in the interview study from both countries have mixed opinions on this matter of benefits to society. There is agreement by some tax agents from Malaysia that they consider the benefits of the society in their decision making while performing their engagement roles. An interview participant for instance commented that since Malaysia relies heavily on tax collection to build up the country, thus less income from taxation could possibly affect the benefits that society could enjoy. Similar opinions on the importance of benefits to society in decision making of tax agents are also recorded from New Zealand tax agents in the interview study. They translate the benefits to the society in the form of maintaining a good tax system in the country which eventually benefits the society at large. Different opinions from interview participants in Malaysia and New Zealand were also documented, stating that they consider their clients' economic interest more than the benefits to the society. There are also interview participants who only care about their clients' economic benefits in their decision making. Some tax agents commented that their role as tax agents is to assist their clients, thus their priority is to safeguard their clients' interest.

The interplay of cultural traits such as low Power Distance, high Individualism, and moderate Uncertainty Avoidance, could be evidenced in the responses of interview participants from Malaysia and New Zealand. To a certain extent the evidence supports the influence of culture in the decision making of tax agents in the study. The findings reveal that junior staff have the opportunity to give their opinions in decision making, and do not merely follow their senior staff's decisions, which imply low Power Distance cultural characteristic. A high Individualism trait is also noticeable among the interview participants. For instance, the decision making is eventually centred on an individual's decision making which is consistent with the argument by Hofstede (1980), that in an individualistic society, decision making is always made by an individual rather than collective. In addition, their priority towards clients' economic interest, consideration about the amount of fees paid by client for their services, the trade-off between cost and benefit in complying with the tax laws imply preference towards performance and materialistic, which are all traits of an individualistic society. Their unwillingness to undertake risks and uneasiness with the complexity of the tax law in part translate their moderate Uncertainty Avoidance cultural characteristic.

The interview findings are meant to provide further understanding of the tax compliance behaviour of tax agents in this study. Drawing from the discussion with 17 tax agents from Malaysia and 14 tax agents from New Zealand, the findings indicate that the interview participants generally had similar views in most issues. The key concepts from the interview findings are simplified in Table 7.3.

Table 7.3 Summary of interview findings

Scope of discussions	Malaysia	New Zealand
Tax compliance		
(a) Tax compliance in general	(1) Complying with the Income Tax Act, rules, regulation, MIRB's requirement • Meeting deadlines for filing tax return and payment • Declare accordingly (2) Justice on both sides of taxpayers and tax authority • Ensuring no over payment or underpayment of tax (3) Understanding the tax rules • Sound technical knowledge (4) Situation specific • Flexibility in natural disaster	(1) Complying with the tax Act, rules, regulations, NZIRD's requirement • Meeting deadlines for filing tax return and payment • Declare accordingly (2) Justice on both sides of taxpayers and tax authority • Ensuring no over payment or underpayment of tax (3) Understanding the tax rules • Tax law should be easy to understand • Being ethical is a subjective interpretation (4) Situation specific • Depending on the amount of tax involved
(b) Attitudes toward tax compliance	(1) Attitude as a professional • Complying with the professional ethics (2) Fear towards tax authority • Client being penalised, tax audit	(1) Attitude as a professional • Complying with the professional ethics (2) Fear towards tax authority • Client being penalised, tax audit • Aggressive approach by the NZIRD

	(3) Reputation • Losing credibility as tax agents (4) Feeling guilty for not complying	(3) Reputation • Perceived as dishonest (4) Fairness (5) Trade –off between costs and benefits (6) Complexity of the tax law
(c) Influence of referent or important others	(1) Peers, superiors, friends in the profession • Exchanging opinions and experience especially in complicated tax situations	(1) Peers, superiors, friends in the profession, tax specialist especially from 'Big Four' public accounting firms, NZICA tax advisory services • Exchanging opinions and experiences especially in complicated tax situations • Perceptions of peers (2) Reputation to the firm
(d) Perceived control	(1) Mixed opinions • Control at the initial stage of decision making • Control in providing the advice but not necessarily in the final decision making	(1) Mixed opinions • Control in providing the advice to clients but not necessarily in the final decision making
Ethical sensitivity	(1) Helpful in complying with the tax law • Avoid unethical conduct • Identify potential tax claims (2) Less support from junior staff	(1) Helpful in complying with the tax law • Guideline to provide type of advice to clients based on their risk profiles • Guidelines to accept or decline appointment as tax agent (2) Awareness does not necessarily mean comply with the tax law

	(3) Developed through experience and observation	(3) Developed through experience
Culture		
(a) Gap in decision making	(1) Mixed opinions • More junior staff are allowed to contribute ideas but final decisions before advising clients are made by more senior staff • Junior staff prone to rely on more senior staff in decision making	(1) Mixed opinions • More junior staff are allowed to give ideas but final decisions before advising clients are made by more senior staff • Consultative approach
(b) Willingness to be in uncertain situations (example: taking risks)	(1) Mixed opinions • Willing to take risk of certain amount • Avoid risks due to high penalty and probability being audited	(1) Mixed opinions • Willing to take risks depending on situation (cost and benefits consideration) • Avoid risks due to high cost (penalty and audit)
(c) Consideration for society	(1) Mixed opinion • Consider the benefits to society from tax collected • Safeguard clients' economic interest	(1) Mixed opinions • Maintaining a good tax system in the society • Safeguard clients' economic interest

7.4 Summary

In this chapter, the analysis and findings from the interviews with tax agents from Malaysia and New Zealand are presented. The findings are then summarized and compared to find out if the tax agents differ in their opinions. As mentioned in section 4.8.6 of Chapter 4 Research Method the researcher started the analysis process by transcribing the recording into written text, coding the data and putting

this into the respective themes. While the themes in this interview study were determined *a priori,* which are basically related to the topics under study, some new concepts also emerged from the interview responses.

Essentially, tax agents in Malaysia and New Zealand shared similar views on the factors that could influence them in their decision making while performing their roles. Some differences in interpreting the concepts discussed in the interviews are also documented. With regard to their understanding about tax compliance behaviour, generally, interview participants perceived tax compliance as following the tax laws, exercising justice, understanding the tax rules and situation specific. They also agreed that to a certain extent, attitudes towards compliance influence them when complying with the tax laws. While there are some consistencies between interview participants from Malaysia and New Zealand in interpreting attitudes in tax compliance, their opinions also differ in a few areas.

Another factor considered as important by interview participants in the study is the influence of referent or important others. Peers, superiors and friends in the same profession, are the common important others who influenced tax agents in this study. The findings indicate some agreement and disagreement by interview participants in relation to the influence of perceived control, ethical sensitivity and culture in the tax compliance behaviour of tax agents. In interpreting the concepts discussed in the study, it was also discovered that complexity of the tax laws, economic factors such as penalties, probability of being audited, trade-off between cost and benefits, risks and aggressiveness of tax authority, could be among the reasons for complying with the tax laws.

The findings from the interview, to an extent, support the argument by Roberts (1998) and Blanthorne and Kaplan (2008) that economic and non-economic factors influence individuals in complying with the tax law. The next chapter presents a synopsis of the study, discussions of the key findings of the study, conclusions, contributions of the study, limitations of the study, and future recommendations.

CHAPTER 8

DISCUSSIONS AND CONCLUDING STATEMENTS

8.0 Introduction

This chapter presents a synopsis of the study before discussing the findings from the survey and interviews from Malaysia and New Zealand. In addition, this chapter also presents the contributions of the study, its limitations and recommendations for future research.

8.1 The study – A Synopsis

The purpose of this study is to understand the tax compliance behaviour of tax agents in Malaysia and New Zealand while performing their engagement roles. Prior studies, such as Jackson and Milliron (1986) and Richardson and Sawyer (2001), suggest various factors that can influence an individual's tax compliance behaviour. Given the wide scope of tax compliance studies, based on the prior literature, this study selected several factors that could potentially contribute to the ethical decision making of tax agents in complying with the tax laws by extending the Theory of Planned Behaviour (TPB) by Ajzen (1991) with ethical sensitivity and culture.

The abovementioned theoretical suggestion is conceptually illustrated in a framework in Chapter 3 and tested in two scenarios: overstating tax expenses and understating tax income. Considering that this study is comparative in nature, it is essential to examine whether or not tax agents in this study have similar perceptions towards the TPB elements, ethical sensitivity and culture in complying

with the tax laws. This study used Multidimensional Ethics Scale (MES) to measure ethical sensitivity and Hofstede's (1980) National Cultural Dimensions to measure culture, and prior studies (eg. Cruz et al., 2000; Yeoh, 1999) suggest that both are conceptually multidimensional. Therefore, it is also necessary to examine whether or not tax agents in the study perceive ethical sensitivity and culture in this study as a multidimensional construct.

Drawing from the conceptual framework, ten research questions, which were later translated into hypotheses, were developed to achieve the objective of the study. To answer the research questions and test the hypotheses, a mixed-method approach was employed in the study, adopting a partially sequential explanatory and partially concurrent mixed-method research design with survey and semi-structured telephone interviews as the data collection instruments.

The first three research questions, which also represent the preliminary hypotheses on the overall perceptions of tax agents with regards to the TPB elements, ethical sensitivity and culture, were analysed by performing *t*-test analysis. To answer the remaining research questions, their respective hypotheses were tested using Structural Equation Modelling (SEM), particularly through operationalizing the partial least squares (PLS) approach using the SmartPLS 2.0 (M3) Beta software developed by Ringle et al. (2005).

The interview findings from the study are useful for explaining further the survey responses. In a mixed method study, the interview findings could be used to either support or challenge the findings in the survey (Creswell, 2009; Bryman and Bell, 2011; Creswell and Plano Clark, 2011). In this study, the data from the

interview was analysed following approaches suggested by Lincoln and Guba (1985) and Braun and Clarke (2006). The next section discusses the main findings of the study from the survey and interviews.

8.2 Key findings of the study

In this section, the integration of findings from the survey and interviews are presented for each variable of the study.

8.2.1 Culture and tax compliance

In this study, culture is measured using Hofstede's (1980) National Cultural Dimensions. Since this is a comparative study, there is a need to examine whether or not tax agents in Malaysia and New Zealand have the same perceptions with regard to Hofstede's (1980) National Cultural Dimensions, which is captured in the first research question,

"*Do tax agents in Mala*ysia *and New Zealand have the same level of perceptions with regard to Hofstede's (1980) National Cultural Dimensions in complying with the tax laws?"*

The *t*-test results from Chapter 5 indicate that tax agents in Malaysia and New Zealand do not differ significantly with regard to their perceptions towards the cultural traits of Power Distance, Individualism and Uncertainty Avoidance in complying with the tax laws. They do, however, differ in their perceptions towards Masculinity in complying with the tax law.

Therefore, the hypothesis stating "*There is no significant difference between tax agents from Malaysia and New Zealand with regard to the Hofstede's*

(1980) National Cultural Dimensions in complying with the tax laws" is not fully supported.

The findings contradict with Hofstede's (1980) propositions on the cultural dimensions of Malaysia and New Zealand. On the contrary, the findings are similar to Saad (2011) who found that in general, individual taxpayers in Malaysia and New Zealand have similar perceptions towards tax compliance. One possible explanation is that, while the cultural dimensions of Malaysia and New Zealand are different according to Hofstede (1980), both suggest some similarities in their accounting practices which were developed based on the British system (Gernon & Meek, 2001). The different results recorded for Masculinity and tax compliance in this study is possibly because tax agents in New Zealand and Malaysia have different perceptions with regard to how to deal with the tax authorities in their countries.

Since Hofstede's (1980) National Cultural Dimensions are perceived to be multidimensional (Hofstede, 1980), the validity and reliability of cultural measures in this study were tested in the first order factor model, and later as a second order factor model using the repeated indicator approach, suggested by Chin (2010), and Hair et al. (2013) on the overstating tax expenses scenario and understating income scenario. The results of the second order factor models and multicollinearity test of the constructs, as presented in Tables 6.14, 6.16 and 6.17 for the overstating tax expense scenario and in Tables 6.15, 6.18 and 6.19 for the understating income scenario in Chapter 6, support the Hypothesis 9 "*Tax agents in Malaysia and New Zealand perceive culture as a multidimensional concept"*.

To test the strength of the relationship between culture and intention to comply with the tax law in the proposed model, the path coefficient and the *t*-values from the bootstrapping were observed. In the case of overstating tax expenses, culture was not a significant factor in Malaysia and suggested only a weak relationship with intention in New Zealand. In the understating income scenario, culture was also found not to be significant in explaining the tax compliance behaviour of tax agents from Malaysia but suggested a moderate relationship with intention in New Zealand.

Given the above mentioned findings Hypothesis 10 "*Culture significantly influences tax agents in Malaysia and New Zealand in complying with the tax law"* was rejected for Malaysia but accepted in New Zealand for both scenarios of overstating tax expenses and understating income. The results imply that there are differences with regard to tax culture between Malaysian and New Zealand respondents. As suggested by Alm and Torgler (2006), tax culture differs across countries, which is possibly related to trust in the government policies. Nerré (2008) also commented that tax culture is a subset of national culture and this tax culture is determined by the cultural norms and historically developed legal institutions in every country.

Based on the guidelines provided by Cohen (1988), effect size which explains the impact of independent variable on dependent variable (Henseler et al., 2009; Hair et al., 2012) for culture in overstating tax expenses scenario in Malaysia and New Zealand, suggests that culture has only a small effect on intention. In the understating income scenario, culture does not have any effect on intention in Malaysia and reported only a small effect on intention in New Zealand.

The interview findings indicate further the interplay of cultural traits in the responses of tax agents in Malaysia and New Zealand. Overall, the findings from the interviews indicate that tax agents in Malaysia and New Zealand have mixed opinions on the influence of culture in complying with the tax laws. While the overall findings from the interviews and the survey may be inconsistent, scholars such as Creswell (2009), Bryman and Bell (2011), and Creswell and Plano Clark (2011), argue that inconsistencies in findings between quantitative and qualitative approaches in mixed-method-based studies are common and indeed, these inconsistencies are one of the challenges in conducting mixed-method studies.

The interview results revealed that tax agents in Malaysia and New Zealand in the study allowed junior staff to participate in the decision-making process before advising their clients, but the final decisions were always made by the senior staff member suggesting low Power Distance and high Individualism cultural traits. Tax agents in the study from both countries also have mixed opinions on their willingness to take risks. There was agreement between tax agents from both countries that certain amount of risks were tolerable in complying with the tax laws but some tax agents from Malaysia and New Zealand avoided taking any risks citing reasons such as high penalty and possibilities of being audited, indicating overall a moderate Uncertainty Avoidance cultural trait. Furthermore, tax agents' priority for clients' economic benefits, consideration of the amount of fees paid by clients, and the trade-off between costs and benefits of complying with the tax laws, reinforce the cultural traits of Individualism and Masculinity.

The findings on the influence of culture in complying with the tax law in this study are inconclusive and add to the literature on the mixed findings of the

influence of culture in tax compliance behaviour. While the findings on the influence of culture on tax compliance behaviour for New Zealand are consistent with prior studies (eg. Bobek et al., 2007b), contradictory results are recorded for Malaysia. It is interesting to note that while tax agents from Malaysia and New Zealand in the study have some similarities in their perceptions towards Hofstede's (1980) National Cultural Dimensions in complying with the tax law (as evidenced from the *t*-test results and their interview responses) both agreed that culture in this study is a multidimensional concept. This is shown in the results of the second order factor models, where the influence of culture in their decision making is slightly different.

One possible reason is that, while the interview responses related to taking risks, consideration of economic benefits and cost imply the existence of cultural traits, they also imply the concern of tax agents on other contextual factors. This includes economic factors in complying with the tax laws, which result in lack of support for the influence of culture in explaining tax compliance behaviour of tax agents in the study.

Another possible reason is that, notwithstanding New Zealand tax agents in this study are members of NZICA, the accounting profession in New Zealand relies on a self-regulatory approach, which differs to Malaysia where the accounting profession is statutorily governed by the MIA. As suggested by Cohen et al. (1996), the close monitoring of the professional body, in this case the MIA, as a statutory body, could possibly reduce the impact of culture in the ethical decision making of tax agents in this study.

8.2.2 TPB items and tax compliance behaviour

The second research question, "*Do tax agents in Malaysia and New Zealand have the same level of perceptions in relation to the TPB elements in complying with the tax law while performing their roles?",* examined whether or not tax agents in this study have similar perceptions towards the TPB items in complying with the tax law in overstating tax expense and understating income scenarios. The results from the *t*-test analyses suggest that tax agents in Malaysia and New Zealand differed significantly in their perceptions towards attitudes, subjective norms and perceived behavioural control in overstating tax expense and understating income.

Thus, this led to rejecting Hypothesis 2_a "*There is no significant difference in the perceptions in relation to the intention to comply, attitudes towards behaviour, subjective norms and perceived behavioural control between tax agents in Malaysia and New Zealand in overstating tax expense scenario"* and likewise rejecting Hypothesis 2_b "*There is no significant difference in the perceptions in relation to the intention to comply, attitudes towards behaviour, subjective norms and perceived behavioural control in understating income scenario*".

Overall, the means in the overstating tax expenses scenario and understating income scenario suggest that in this study, tax agents from New Zealand were more likely to act ethically compared to tax agents from Malaysia.

8.2.2.1 Attitudes and tax compliance behaviour

The path coefficient and *p*-values for attitudes in the overstating tax expenses scenario indicate that attitude has a strong relationship with intention to

comply with the tax laws for tax agents from Malaysia. Equally, attitude towards complying with the tax laws is also significant in New Zealand in the overstating tax expenses scenario. When the conceptual model is tested on the understating income scenario, attitude towards complying with the tax law is also found to be a significant variable in explaining the tax compliance behaviour of tax agents in Malaysia and New Zealand.

In view of the foregoing, the Hypothesis 4 "*Attitude towards behaviour significantly influences the tax agents in Malaysia and New Zealand in complying with the tax law"* is accepted in both Malaysia and New Zealand for the overstating tax expenses and understating income scenarios. The effect size of attitude on the intention is also large in the overstating tax expenses' scenario in Malaysia and a consistent result is also recorded in New Zealand. Similarly, the effect size of attitude on the intention is large in understating income scenario in Malaysia and New Zealand.

The interview findings explain further the influence of attitude in the tax compliance behaviour of tax agents. Essentially, tax agents in the study understand attitudes as their professional attitude in complying with the professional ethics, fear towards being penalised by the tax authority and safeguarding their reputation. In Malaysia, attitudes are also perceived as the feeling of guilt for not complying, while in New Zealand, attitudes are also associated with fairness, a trade-off between costs and benefits, and complexity of the tax law.

The significant influence of attitudes in explaining the tax compliance behaviour of tax agents in this study supports the findings of prior studies such as

Bobek and Hatfield (2003), Buchan (2005), Trivedi et al. (2005), Saad (2011), Langham et al. (2012) and Smart (2012). Interestingly, the interview findings provide more understanding on how tax agents in this study understand attitudes in complying with the tax law. The interview findings for instance, raised the concern over whether complying with the tax law is a public relations exercise as argued by Doyle et al. (2009), since tax agents fear their reputation would be tarnished if they do not comply. Support is also present for the argument by Blanthorne and Kaplan (2008) that complying with the law to a certain extent involves economic factors.

8.2.2.2 Subjective norms and tax compliance behaviour

The findings from the survey on the path coefficient and *p*-values for subjective norms, in the case of overstating tax expenses for Malaysia and New Zealand, suggest that subjective norms are not significant in explaining the behaviour of tax agents in complying with the tax law. Equally, when the same model was tested on understating income scenario, the results from the path coefficient and *p*-values also suggest that subjective norms are not able to explain the tax compliance behaviour of tax agents in complying with the tax laws.

The findings result into the rejection of the Hypothesis 5 "*Subjective norms significantly influences tax agents in Malaysia and New Zealand in complying with the tax laws"* in both tax scenarios in this study. This is further supported by the small effect size of subjective norms on intention in overstating tax expense and understating income scenarios in this study for both countries.

It is, however, interesting to find that the interview findings on the influence of subjective norms in complying with the tax laws by tax agents,

recorded inconsistent results to the survey. Essentially, tax agents in the interviews in Malaysia and New Zealand concurred that the influence of referent or important others (subjective norms) exists in their decision making as to whether or not to comply with the tax laws. One possible explanation on the inconsistencies of the findings between the survey and the interviews could be due to the complexity of the tax scenarios presented in the study. There is a possibility that the survey respondents in the study did not perceive the moral issues in the tax scenarios presented in the study as complicated which required them to ask for tax opinions from important others. This is supported by comments in the interview, where the participants agreed that the influence of referent or important others is important in especially complicated tax scenarios.

It is also interesting to note that New Zealand tax agents raised their concern on the perceptions of peers and reputation of the firm in explaining the influence of subjective norms in their decision making. Again, this raises the question of whether complying with the tax law by public accounting practitioners is associated more with exercising a public relations activity rather than complying with the tax law itself (Doyle et al., 2009). The survey findings of the study are consistent with Buchan (2005) who found that subjective norms are not significant in explaining public accounting practitioners' ethical intention. The findings of the interview also support the survey results of Smart (2012) who found that important referent's expectations and threat of losing respect from important referents (which can be translated in this study as perception of peers), as an important factor for complying with the tax law.

8.2.2.3 Perceived behavioural control and tax compliance behaviour

Perceived behavioural control, (PBC), is another variable examined in the study. The hypothesis H6, "*Perceived behavioural control significantly influences tax agents in Malaysia and New Zealand in complying with the tax laws*" was tested twice, on the overstating tax expense scenario and understating income scenario.

The path coefficients and *p*-values for PBC in overstating tax expense scenario for Malaysia and New Zealand suggest that PBC has no significant influence on intention. A similar finding was recorded for Malaysia in the case of understating income but a contradictory result suggests that PBC has moderate influence on intention in New Zealand for the same case. The findings from the survey led to the rejection of hypothesis H6 in Malaysia and New Zealand for the overstating tax expenses scenario. Likewise, H6 was also rejected for Malaysia in understating income scenario but was accepted in New Zealand.

The results were supported further with the examination on the effect of PBC on intention. It was found that PBC has small effect on intention in the overstating tax expenses scenario in Malaysia and New Zealand. A small effect size was also reported for New Zealand in the understating income scenario with no effect between PBC and intention recorded in Malaysia for the same tax scenario. It is interesting to note that while PBC was not significant for both tax scenarios in Malaysia, a different result was found for New Zealand. One possibility for the different finding in New Zealand between the two tax scenarios is that, the understating income scenario involved a cash sale with no records and thus, the probability of the cash transaction being detected by the tax authority is

low. As commented by some interview participants, while the NZIRD is actively doing audits, their focus has been more on large amounts of money and tax audits for small businesses are rare. Therefore, there is a possibility that tax agents in the survey in New Zealand found that they have more control in understating cash income compared to overstating tax expenses. The survey findings from this study supported the unfavourable findings of the influence of PBC in complying with the tax law documented in prior tax research. Bobek and Hatfield (2003), Buchan (2005), Trivedi et al. (2005), Bobek et al. (2007a), Saad (2011), Langham et al. (2012) and Smart (2012) all found non-significant influence of PBC on intention in their studies.

The unfavourable results of the survey on the influence of PBC in tax compliance in this study could perhaps be explained further by the interview findings. The interview participants in Malaysia and New Zealand had a common agreement on the influence of PBC in their decision making. Essentially, they agreed that they have control in providing advice to their clients but they do not necessarily have control in the final decision making in complying with the tax laws. Some interview participants from New Zealand commented that, to a certain extent, having a good relationship with their clients would help to determine whether or not they have control in the final decision making. The interview findings suggest the tax agents' roles include acting as advocates for their clients.

8.2.3 Ethical sensitivity and tax compliance

Similar to culture and the TPB items, since this study is comparative in nature, the researcher performed a *t*-test to answer the third research question of whether or not tax agents in Malaysia and New Zealand have the same level of

perceptions with regard to the dimensions in MES which was used to measure ethical sensitivity. The results from the *t*-test indicate that tax agents in Malaysia and New Zealand differed in perceiving moral equity, relativism and egoism dimensions, but had similar views on utilitarianism and contractualism in overstating tax expense scenario.

Given these results, the hypothesis $H3_a$ "*There is no significance difference in the perceptions between tax agents in Malaysia and New Zealand with regard to the dimensions of MES in overstating tax expense scenario"* was not fully supported.

When tested on understating income scenario, the *t*-test results suggest that the hypothesis $H3_b$ stating "*There is no significance difference in the perceptions between tax agents in Malaysia and New Zealand with regard to the dimensions of MES in understating income scenario"* was rejected.

In the understating income scenario, the results revealed that tax agents in Malaysia and New Zealand had different perceptions towards MES dimensions. Overall, the mean values in both scenarios suggest that tax agents in New Zealand have higher ethical sensitivity compared to tax agents in Malaysia. One possible reason is because recent tax court decisions in New Zealand seem to favour the NZIRD (Elliffe, 2011). This is supported by responses from the interview participants in New Zealand that the aggressiveness of NZIRD in ensuring tax compliance to a certain extent influences them to comply with the tax laws.

Prior studies using MES suggest that MES is multidimensional. Similar to culture, in this study MES was also subject to first order factor model assessment

and later, as a second order factor model, using repeated indicator approach for both tax scenarios applied in the study. The results from the second order factor model confirmed that MES was formed by multidimensional constructs in Malaysia and New Zealand for both tax scenarios in the study. Thus, this enabled acceptance of hypothesis H7 *"Tax agents in Malaysia and New Zealand perceive ethical sensitivity as a multidimensional concept*".

The relationship between ethical sensitivity and intention was examined from the strength of the path coefficient and the *p*-values. The results from the structural model in the overstating tax expenses scenario show that ethical sensitivity was significant, but indicated a weak relationship in Malaysia but a significant moderate relationship between ethical sensitivity and intention in New Zealand. In the understating income scenario, ethical sensitivity was not significant in Malaysia but had a strong relationship with intention in New Zealand.

As a result, it could be suggested that hypothesis H8, *"Ethical sensitivity significantly influences tax agent in Malaysia and New Zealand in complying with the tax law*" was accepted for Malaysia and New Zealand in the case of overstating tax expenses, and also accepted in New Zealand for the understating income scenario (but rejected in Malaysia). When examined further, ethical sensitivity had only small effect on intention in both tax scenarios in the study for both countries.

The inconsistent findings in Malaysia between overstating tax expenses and understating income scenarios support the argument in prior accounting studies such as Cohen et al. (1993) and Buchan (2005), that MES is situation specific. While ethical sensitivity is significant for both scenarios in New Zealand, the levels

of significance (p-values of 0.001 for understating income and 0.05 for overstating expenses) are different, indicating that the results from applying MES depend on the type of situations. The findings from the survey support the argument by Collins (2000) on the influence of ethical sensitivity on accountants in situations involving violation of laws. The survey findings, however, are not consistent with Buchan (2005) who found no support for ethical sensitivity on public accountants' ethical intention.

The interview findings to a certain extent clarify the survey findings of the study on the influence of ethical sensitivity in tax compliance behaviour of tax agents. Interview participants in Malaysia and New Zealand indicated common agreement that ethical sensitivity is helpful in tax agents' compliance behaviour with the tax laws. They also concurred that experience is an important factor to develop ethical sensitivity. When probed further, interview participants in Malaysia explained that ethical sensitivity is helpful in avoiding unethical conduct in their tax practices and helpful in identifying any potential allowable tax claims. In New Zealand, ethical sensitivity is beneficial in guiding tax agents on the type of advice given to their clients based on the clients risk profiles. Interestingly, ethical sensitivity does not necessarily lead to ethical behaviour, as commented by some interview participants in New Zealand.

8.2.4 Tax compliance behaviour of tax agents – Some selected factors

The tax compliance behaviour of tax agents in this study was examined using the conceptual model developed in Chapter 3 of this thesis, and tested on two tax scenarios of overstating tax expenses and understating income in Malaysia and New Zealand. The *R*–squares of the structural model for overstating tax expenses

scenario in Malaysia of 0.78 and 0.72 in New Zealand, as well as 0.67 in Malaysia and 0.58 in New Zealand for the understating income scenario, suggest that the proposed models have the potential to explain the tax compliance behaviour of tax agents in the study in both Malaysia and New Zealand.

In the overstating tax expenses scenario in Malaysia, it was found that attitude was a significant factor in explaining the tax agents' compliance behaviour with tax laws, followed by ethical sensitivity. The study, however, found no support for subjective norms and perceived behavioural control in tax agents' compliance behaviour in Malaysia. In New Zealand, similar to Malaysia, attitude was found to be the most significant factor influencing tax agents' tax compliance behaviour, followed by ethical sensitivity and culture.

With regard to understating income, attitude was found to be the only significant factor in explaining tax agents' compliance behaviour with tax laws and no support for subjective norms, perceived behavioural control, ethical sensitivity and culture was recorded in Malaysia. In New Zealand, attitude and ethical sensitivity were the most significant factors in influencing the tax agents' ethical decision making, followed by culture and perceived behavioural control. Similar to Malaysia, no support was recorded for subjective norms in New Zealand for the second scenario.

Interestingly, while there are some differences between tax agents in Malaysia and New Zealand in explaining the tax compliance behaviour of tax agents in the study, there are also similarities. Regardless of countries and tax scenarios presented in the study, it is interesting to note that attitude has recorded

consistent significant results in explaining the tax agents' tax compliance behaviour. Likewise, subjective norms were not significant in both countries for both scenarios. The inconsistent results on ethical sensitivity between tax scenarios within Malaysia, and between Malaysia and New Zealand in the understating income scenario, support the argument by Jones (1991) that being ethical is situation specific.

The tax compliance behaviour of tax agents was further explained in the interviews with some tax agents in Malaysia and New Zealand which produced more interesting findings. For instance, while attitude was found to be important from the survey, the interview clarified further the meaning of attitude as understood by the tax agents in the interview. The attitude, for instance, was translated as complying with the professional ethics, their fear towards being penalised and audited, and their fear towards their reputation being tarnished as a result of non-compliance. While the survey findings indicate that behavioural factors could explain the tax compliance behaviour of tax agents in the study, the interview findings further suggest that economic factors were also relevant in understanding tax agents' ethical decision making. Overall, the findings support the suggestions by Alley and James (2006), Blanthorne and Kaplan (2008) and Smart (2012), that economic and non-economic factors are relevant in influencing the ethical decision making of individuals whether or not to comply with the tax laws.

8.3 Contributions of the study

This study has attempted to understand the tax compliance behaviour of tax agents in Malaysia and New Zealand using selected factors. The study extends the TPB with ethical sensitivity and culture. The researcher is of the view that this

study has contributed to tax compliance studies as well as the accounting professions in a number of ways.

8.3.1 Contribution to tax literature

First, notwithstanding the calls for more cross-cultural studies in tax settings (Richardson and Sawyer, 2001; Singh, 2003; Yong, 2011), tax studies in cross-cultural settings especially in Asia-Pacific region remain scarce. One recent example is a study by Saad (2011) which compared the individual taxpayers in Malaysia and New Zealand. To the best knowledge of the researcher, this study is the first to compare tax agents in Malaysia and New Zealand, and it assists with providing some insights into the tax compliance behaviour of tax agents between two countries which share some similarities but have several differences. It is interesting to observe that the findings from the study reveal some similarities and differences in the tax compliance behaviour of tax agents in these two tax jurisdictions.

Second, prior studies such as Richardson and Sawyer (2001) suggest there are various factors which are important in understanding tax compliance behaviour. Some factors were selected for this study on the following basis:

(1) The TPB has been proven to explain individual behaviour in social science research. However, the application of the TPB in tax studies is still limited. The researcher believes this study adds to the scarce literature on the TPB in tax studies which in this study, is not fully supported.

(2) The use of Hofstede's (1980) National Cultural Dimensions, as suggested by Tsakumis et al. (2007) and Yong (2011), is still largely absent in tax studies. As

a response to this suggestion, this study employed Hofstede's (1980) National Cultural Dimensions to examine whether culture has any influence on the ethical decision making of tax agents in this study. The findings, overall, are inconclusive and add to the literature on the mixed findings of the influence of culture in tax compliance behaviour.

(3) While ethical sensitivity is important, only few studies have attempted to address the issue of ethical sensitivity of tax agents (Tan & Sawyer, 2003; Tan, 2006). At the same time, Jackson and Milliron (1986) and Richardson and Sawyer (2001) raised the concern of how to measure ethics in tax studies. This study attempts to address these issues by incorporating the ethical sensitivity of tax agents into the model to understand their tax compliance behaviour and measured this ethical sensitivity using a tool, MES, which has been widely accepted in marketing studies but is still limitedly applied in accounting (and tax) context. To the knowledge of the researcher, this study is the first to examine ethical sensitivity of tax agents in Malaysia and New Zealand using MES in tax context. The findings support the MES to explain ethical sensitivity of tax agents in the study and provide some support on the influence of ethical sensitivity and tax compliance behaviour of tax agents in the study.

Third, with regard to the research methods applied in the study, the researcher is of the opinion that this study has the potential to contribute in several ways explained as follows:

(1) To ensure tax studies contribute to the body of knowledge, Oats (2012) suggest tax researchers should venture into other research paradigms and do not be

dogmatic about the positivist research paradigm. While a mixed-method approach has been widely implemented in other social science research areas of study (Creswell and Plano Clark, 2011), the mixed-method approach is still not widely explored in tax studies (McKerchar, 2010). Thus, applying pragmatism as the research paradigm, the researcher used the quantitative (survey) and qualitative (interview) methods to answer the research questions of the study. It is interesting to note that the interview findings have contributed to richer understandings on the tax compliance behaviour of tax agents in the study. Furthermore, the adoption of a mixed-method approach in this study could provide another example of how to apply mixed-method approach in a tax study, other than studies by Saad (2011), Mohd Isa (2012) and Mohd Ali (2013).

(2) The use of structural equation modelling (SEM) has been widely supported in other social science research areas of study such as marketing and information systems. However, the use of SEM in tax studies is still limitedly explored, notwithstanding its potential to explain complex relationships among variables which frequently exist in tax studies. The application of SEM in this study, namely Partial Least Squares (PLS), allows for a single, comprehensive and systematic analysis to be performed on all variables simultaneously. The use of SEM also allows for two variables, culture and ethical sensitivity, to be tested as a second order factor model to confirm their multidimensionality simultaneously.

(3) Common method bias is a potential threat in behavioural-type studies which employ self-reported survey (Podsakoff et al., 2003). Hair et al. (2011), Chin et al. (2012) and Hair et al. (2012) also suggest the importance of checking for

common method bias in studies applying SEM. This study provides an example of how to check for common method bias in tax studies which has been ignored or only lightly mentioned in prior tax studies. While common method bias is not a serious threat in this study, it is not fully guaranteed that the survey findings are free from any bias. Likewise, for studies using surveys and involving the assessment of ethical behaviour as frequently seen in tax studies, it is important to check for social desirability bias since social desirability bias can become a threat to the robustness of the findings. Notwithstanding its importance, prior tax studies using surveys and involving the decision of whether or not to comply with the tax laws are likely to ignore the examination of social desirability bias. This study provides an example of how to check for social desirability bias by using the measures adopted from Cruz et al. (2000). The findings suggest that social desirability bias exists in both scenarios tested in the study for Malaysia and New Zealand. The presence of social desirability bias is consistent with findings from prior studies in accounting and tax context such as by Cruz et al. (2000) and Buchan (2005), thus underlying the importance of including social desirability bias measures in accounting and tax studies.

8.3.2 Contribution to the accounting profession

Based on the findings of the study, the researcher has the opinion that the findings could contribute to further understanding of the tax compliance behaviour of accounting practitioners, in this case the tax agents in public accounting services while they perform their roles. The findings indicate that the tax compliance behaviour of tax agents in this study in Malaysia and New Zealand was based on the moral intensity of the tax issues. Therefore, the compliant behaviour of tax

agents in this study was motivated in part by the economic factors such as the amount of tax involved, trade-off between cost and benefits, and the amount of risks considered as acceptable by the tax agents and their clients.

In addition, their concern on their reputation and the complexity of the tax laws also contributes to their decision-making. It is interesting also to note that attitude towards intention was found to be the most significant factor in both scenarios presented in the study for tax agents in Malaysia and New Zealand. The findings from the second order factor model in ethical sensitivity also revealed that tax agents' ethical intention was motivated the most by the perception of moral equity of an action. This suggests that tax agents in this study put high consideration of what was perceived as morally right, fairness and justice in their ethical decision making.

For professional bodies in Malaysia and New Zealand, the findings also provide some insights into the ethical behaviour of their members. The findings from this study and other prior tax studies involving tax agents, collectively, could be useful in promoting ethical behaviour among their members. Training provided by professional bodies to their members is essentially focused on the technical aspect of accounting issues. One way is to incorporate the non-technical accounting elements in the training of their members, such as emphasizing what is morally right, the concept of fairness and justice, in their decision making.

8.4 Limitations of the study

Notwithstanding the potential contributions of this study, it also has some limitations which need to be considered in interpreting its findings. It is important to note that the study recorded low response rates in both countries. However, the number of useable responses was adequate for the researcher to perform the relevant statistical analysis. The low response rates could possibly be due to the method of distributing the questionnaire. In Malaysia, the researcher requested the addressee to distribute another two sets of the questionnaire survey to their colleagues. However, using this method does not allow the researcher to trace the true number of questionnaires being distributed. In New Zealand, the higher internet security practised by organizations may result into some emails that were sent to tax agents considered to be spam emails. In addition, tax agents are busy people and may not have the time to participate in the study. These factors could possibly contribute to the understated low response rates for the study.

There is a concern that the observed samples do not truly represent the population of tax agents in the country as explained earlier in sub-section 5.1.3. For instance, the respondents came mainly from small size public accounting firms and only a small number came from 'Big Four' public accounting firms. Pierce and Sweeney (2009) for example suggest that firm size has significant influence on the ethical decision making of accountants. One possible reason could be due to the presence of selection bias as a result from using a cross between systematic random sampling and snowballing in Malaysia, and systematic random sampling in New Zealand. In view of this, generalisations of the findings from this study need to be performed with caution. However, given the limited studies on the ethical decision

making of tax agents in Malaysia and New Zealand, the findings from this study are still useful in understanding their compliance behaviour while performing their engagement roles.

Notwithstanding that potential nonresponse bias and common method bias are not serious threats to the study, it cannot be fully guaranteed that this study is free from any bias, considering that this study had low response rates. It is also noteworthy to mention that the presence of social desirability bias in this study suggests that the findings need to be interpreted with caution since tax agents in the study have the tendency to perceive themselves as being more ethical compared to their peers.

Some of the loadings for the measures used in this study from the PLS analysis were marginally below the suggested threshold values. However, considering that this study involved some newly developed measures, it is acceptable to retain the low loadings measure for content validity purpose and to avoid using a single measure for the constructs which could create more bias in the PLS results.

8.5 Future research

The explanatory power shown by the model proposed in this study indicates the potential of the model to explain the tax compliance behaviour of tax agents. Thus, testing the model in other tax jurisdictions could be a worthwhile effort to test the stability of the model and allow for comparisons with other countries to be made. In addition, the use of a mixed-method approach in this study and cross-cultural based type of research, has the potential to offer a better understanding of

tax compliance behaviour of tax agents. For instance, the qualitative findings from the interviews revealed some other interesting factors such as the possibility of economic factors influencing tax agents' decision making. The comparison between Malaysia and New Zealand offers some similarities and differences of factors that influence tax agents in complying with the tax laws. As a result, future tax studies should be encouraged to adopt a mixed-method approach and venture into cross-cultural research.

In this study, the proposed model was tested on two tax scenarios involving overstating tax expense and understating income, which, according to Elliffe (2011), represent the core aspects of the tax gap in a tax system. The findings, however, suggest that being ethical is situation specific. Therefore, to add more to our understanding on tax compliance behaviour of tax agents, future studies should test the proposed model on other tax scenarios. Bobek and Robin (2007), for instance, have identified some tax scenarios which could potentially cause an ethical dilemma to tax agents, which would be worthwhile to be tested further using the proposed model of this study. The complexity of the ethical dilemma could possibly provide different responses to the tax compliance behaviour of tax agents. As evidenced in this study, the survey results indicate that subjective norms were not significant for both scenarios in both countries. The interview findings, however, suggest that tax agents only refer to important others or referent others in complicated tax issues.

Since attitude was found to be the most significant factor in influencing tax agents in their decision making, future studies could examine the antecedents of attitude. The interview findings, for instance, revealed that tax agents in the study

associated their attitudes with economic factors, such as the fear of being penalised, the probability of being audited, the consideration for cost and benefits, and the amount of tax involved. In addition, attitudes towards ensuring their reputation among peers, the public and accounting profession were also addressed during the interviews. Combining economic and non-economic factors could possibly reveal more interesting information on the compliance behaviour of tax agents which could be explored further in future studies.

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Appendix A: Human Ethics approval letter

Ref: HEC 2010/163

6 December 2010

Suhaila Abdul Hamid
Department of Accounting & Information Systems
UNIVERSITY OF CANTERBURY

Dear Suhaila

The Human Ethics Committee advises that your research proposal "Tax compliance and tax professionals in self-assessment systems" has been considered and approved.

Please note that this approval is subject to the incorporation of the amendments you have provided in your email of 1 December 2010.

This approval is subject to advising the HEC of the storage details in Malaysia.

Best wishes for your project.

Yours sincerely

Dr Michael Grimshaw
Chair, Human Ethics Committee

Appendix B: Letter of approval from Economic Planning Unit

UNIT PERANCANG EKONOMI

Economic Planning Unit
JABATAN PERDANA MENTERI
Prime Minister's Department
BLOK B5 &B6
PUSAT PENTADBIRAN KERAJAAN PERSEKUTUAN
62502 PUTRAJAYA
MALAYSIA

Telefon :603-8888 3333
603-88725281/5272

Ruj.Tuan:
Your Ref. : UPE:
40/200/19/2728

Tarikh : 8 March 2011

SUHAILA ABDUL HAMID
2/116 Main South Road,
Sockburn 8042 Christchurch,
New Zealand
Email: ailahamid@yahoo.com

APPLICATION TO CONDUCT RESEARCH IN MALAYSIA

With reference to your application, I am pleased to inform you that your application to conduct research in Malaysia has been *approved* by the **Research Promotion and Co-Ordination Committee, Economic Planning Unit, Prime Minister's Department.** The details of the approval are as follows:

Researcher's name : **SUHAILA ABDUL HAMID**

Passport No. / I. C No: **730918-01-6626**

Nationality : **MALAYSIAN**

Title of Research : "**TAX COMPLIANCE AND TAX PROFESSIONALS IN SELF-ASSESSMENT SYSTEM"**

Period of Research Approved**: 3 YEARS**

2. Please collect your Research Pass in person from the Economic Planning Unit, Prime Minister's Department, Parcel B, Level 4 Block B5, Federal Government Administrative Centre, 62502 Putrajaya and bring along two (2) passport size photographs. You are also required to

comply with the rules and regulations stipulated from time to time by the agencies with which you have dealings in the conduct of your research.

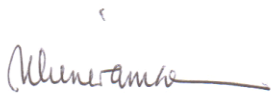
3. I would like to draw your attention to the undertaking signed by you that you will submit without cost to the Economic Planning Unit the following documents:

a) A brief summary of your research findings on completion of your research and before you leave Malaysia; and

b) Three (3) copies of your final dissertation/publication.

4. Lastly, please submit a copy of your preliminary and final report directly to the State Government where you carried out your research. Thank you.

Yours sincerely,



(**MUNIRAH ABD. MANAN**)
For Director General,
Economic Planning Unit.
E-mail: munirah@epu.gov.my
Tel: 88725281/88725272
Fax: 88883961

ATTENTION

This letter is only to inform you the status of your application and **cannot be used as a research pass**.

Appendix C: Sample of email invitation to CTIM members

Department of Accounting and Information Systems
College of Business and Economics
Suhaila Abdul Hamid Email: sba108@uclive.ac.nz
Phone: +64 3 3642613 Fax: +64 3 3642727

Date: 1st July 2011

A SURVEY AND INTERVIEW OF TAX COMPLIANCE AND TAX PROFESSIONALS IN SELF-ASSESSMENT SYSTEM (SAS)

Dear Sir/Madam,

My name is Suhaila Abdul Hamid and I am currently pursuing the Degree of Doctor of Philosophy (PhD) in the Department of Accounting and Information Systems (ACIS), at the University of Canterbury, Christchurch, New Zealand. I am conducting a study on the decision making of tax professionals in complying with the tax law under the supervision of Professor Adrian Sawyer and Associate Prof. Andrew Maples.

This study aims to solicit the views of the members of the Chartered Tax Institute of Malaysia (CTIM). Thus I am inviting all CTIM members to participate in this research. The research has been reviewed and approved by the Human Ethics Committee, University of Canterbury and the Economic Planning Unit (EPU), Prime Minister's Department of Malaysia. All responses are confidential and will only be used for the purpose of this PhD study. Since a PhD is a public document via the University of Canterbury database, the information provided would be available to the public. However, the only personal details published would be the key demographic background of the participants.

The online questionnaire survey

It is important for me to receive as many completed questionnaires as possible to ensure the findings to be meaningful. It will take no longer than 30 minutes for you to complete the questionnaire. Please send your responses by **31 July 2011**, however, if you are unable to meet the deadline I still appreciate a late response. Please click on the following link to start the survey: http://canterbury.qualtrics.com/SE/?SID=SV_5oGmgJtHHIQhmJu.

For Malay version of the survey please click the following link: http://canterbury.qualtrics.com/SE/?SID=SV_dgaDerjh75HlakI.

The telephone interview

The interview is important to provide further understanding into the issue being studied. You could still participate in the interview even if you do not participate in the survey. It will take no longer than 30 minutes and will be recorded. Please click on the following link to participate in the telephone interview: http://canterbury.qualtrics.com/SE/?SID=SV_2gU1hztHpfbdZQw.

Your contribution is very much appreciated and important to the completion of my research study. The findings could contribute to enriching our knowledge on tax professionals' decision making and could be useful in assisting the accounting profession as well as the accounting educators to shape the future generation of accounting professionals.

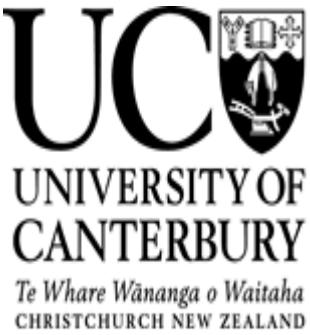
Should you have any enquiries, please do not hesitate to contact myself at sba108@uclive.ac.nz or my Senior Supervisor: Professor Adrian Sawyer at adrian.sawyer@canterbury.ac.nz.

Yours Sincerely,

Suhaila Abdul Hamid
PhD Candidate
ACIS Department
University of Canterbury, Christchurch

Professor Adrian Sawyer
Professor of Taxation
ACIS Department
University of Canterbury, Christchurch

Appendix D: Sample of survey questionnaire



Department of Accounting and Information Systems (ACIS)
College of Business and Economics

A SURVEY OF TAX COMPLIANCE AND TAX AGENTS

Suhaila Abdul Hamid

Department of Accounting and Information Systems

University of Canterbury

Christchurch, New Zealand

Dear Sir/Madam,

1. I would like to invite you to share your views by participating in this study. It should take no longer than 15 minutes for you to complete the questionnaire. There is no right or wrong answer.

2. In addition to completing the questionnaire, I would also like to invite you to participate in a telephone interview later. If you agree, please complete the consent form attached.

3. Please send your responses and the consent form to participate in the telephone interview (if agreed) **within four week time from the date of received** in the two separate self-addressed stamped envelopes enclosed to ensure anonymity and confidentiality. However, I still appreciate late response.

4. If you would like to answer the Malay version of the questionnaire you could log on to this link: http://canterbury.qualtrics.com/SE/?SID=SV_6L7IauyR9LWAwBe

5. This study had been approved by the Human Ethics Committee, University of Canterbury. Should you have any enquiries, please do not hesitate to contact myself at sba108@uclive.ac.nz or my Senior Supervisor, Professor Dr. Adrian Sawyer at adrian.sawyer@canterbury.ac.nz.

Thank you very much for participating. I look forward to receiving your responses.

Yours Sincerely,

Suhaila Abdul Hamid
Phd Student
ACIS Department
University of Canterbury

Professor Dr. Adrian Sawyer
Professor of Taxation
ACIS Department
University of Canterbury

SECTION 1

Below are statements concerning tax compliance behaviour. Please tick (√) ONE answer that best describes your opinion.

		Strongly Disagree						Strongly Agree
		1	2	3	4	5	6	7
1.	A junior staff should follow the instructions from his/her superior in complying with the tax law	1	2	3	4	5	6	7
2.	The benefits that we as a society could enjoy from the amount of tax collected is very important to me	1	2	3	4	5	6	7
3.	I would rather challenge the tax authority than negotiate with them in a tax lawsuit	1	2	3	4	5	6	7
4.	The more precise the tax law the better	1	2	3	4	5	6	7
5.	A junior staff should feel afraid to disagree with his/her superior in complying with the tax law	1	2	3	4	5	6	7
6.	When complying with the tax law, I only consider the effect to my client	1	2	3	4	5	6	7
7.	I always feel confident with the decision that I make when complying with the tax law	1	2	3	4	5	6	7
8.	I do not mind to have differences in tax judgment with the tax authority	1	2	3	4	5	6	7
9.	Most of the time a superior is expected to tell his/her junior staff on what to do in complying with the tax law	1	2	3	4	5	6	7
10.	I do not care whether or not the society would benefit from the amount of tax collected as long as I could enjoy the tax benefit	1	2	3	4	5	6	7
11.	I prefer to challenge the tax authority's decision rather than negotiate with them	1	2	3	4	5	6	7

12.	When complying with the tax law, I avoid taking any tax risk since a tax risk could cause unfavourable effect	1	2	3	4	5	6	7
13.	A junior staff should always be involved in the decision making when dealing with client's tax matters	1	2	3	4	5	6	7
14.	I would consider the long term effect to the society when complying with the tax law	1	2	3	4	5	6	7
15.	I always feel confident to make my own tax decision while dealing with my client's tax matters	1	2	3	4	5	6	7
16.	When complying with the tax law, a tax risk is an opportunity	1	2	3	4	5	6	7

SECTION 2

In this section you are provided with two (2) hypothetical tax scenarios. Please read carefully all scenarios and answer the questions that follow. For each question, please tick (√) only ONE answer that best describes your opinion.

Scenario A

Rose is a sole proprietor who runs a small catering business and calculates that 50 percent of her travelling expenses are for business purposes. However, she notices that if she overstates her claim to 55 percent, the deduction claimed will increase by RM500 and her tax will drop to a lower tax bracket. Since her current business is not doing well, she wants to introduce additional menus in her catering business. For that purpose, she wants to participate in a cooking course and use the money from the tax saved to pay for her enrolment fees. Rose is certain that it is very unlikely for the tax authority to detect the overstated claim.

For that year, Rose claims 55 percent of her travelling expenses are for business purposes. What would you do if you face a similar situation?

1.	If I had the opportunity I would overstate the business travelling expenses in the tax return	Likely	1	2	3	4	5	6	7	Unlikely
2.	For me to overstate the business travelling expenses claimed in the tax return is	Good	1	2	3	4	5	6	7	Bad
3.	Most of people important to me think I should overstate the business travelling expenses claimed in the tax return	Agree	1	2	3	4	5	6	7	Disagree
4.	For me to overstate the business travelling expenses in the tax return is	Easy	1	2	3	4	5	6	7	Difficult
5.	I would never overstate the business travelling expenses claimed in the tax return	True	1	2	3	4	5	6	7	False
6.	For me to overstate the business travelling expenses in the tax return is	Worthless	1	2	3	4	5	6	7	Useful
7.	Most people who are important to me will look down at me if I overstate the business travelling expenses in the tax return	Likely	1	2	3	4	5	6	7	Unlikely
8.	With my expertise, I could easily overstate the business travelling expenses in the tax return if I wanted to	Agree	1	2	3	4	5	6	7	Disagree
9.	In the future, I may overstate the business travelling expenses in the tax return	True	1	2	3	4	5	6	7	False
10.	For me to overstate the business travelling expenses in the tax return is	Harmful	1	2	3	4	5	6	7	Beneficial
11.	No one who is important to me thinks it is OK to overstate the business travelling expenses in the tax return	Agree	1	2	3	4	5	6	7	Disagree
12.	How much control do you have over overstating the business travelling expenses in the tax return?	Complete control	1	2	3	4	5	6	7	Absolutely no control

Please refer to the following statement to answer questions 13 to 24.

In your opinion, Rose's decision to overstate the business travelling expenses is:

13.	Just	1 2 3 4 5 6 7	Unjust
14.	Fair	1 2 3 4 5 6 7	Unfair
15.	Morally right	1 2 3 4 5 6 7	Not morally right
16.	Acceptable to my family	1 2 3 4 5 6 7	Not acceptable to my family
17.	Traditionally acceptable	1 2 3 4 5 6 7	Traditionally unacceptable
18.	Culturally acceptable	1 2 3 4 5 6 7	Culturally unacceptable
19.	Not self-promoting for Rose	1 2 3 4 5 6 7	Self-promoting for Rose
20.	Personally satisfying for Rose	1 2 3 4 5 6 7	Not personally satisfying for Rose
21.	Produces greatest utility	1 2 3 4 5 6 7	Produces the least utility
22.	Minimizing benefits while maximizing harm	1 2 3 4 5 6 7	Maximizing benefits while minimizing harm
23.	Violating an unwritten contract	1 2 3 4 5 6 7	Not violating an unwritten contract
24.	Violating an unspoken promise	1 2 3 4 5 6 7	Not violating an unspoken promise

25. The probability that my peers will take the same action is
High 1 2 3 4 5 6 7 Low

26. The probability that I will take the same action is
High 1 2 3 4 5 6 7 Low

Scenario B

Adam is a sole proprietor who receives cheques and cash for his business. In the current year, he received a cash sale of RM2,000 from one of his friends. He is certain that the tax authority will not know the income is not reported and will not detect the income since there is no record about the cash sale. He notices that he will fall under a higher tax bracket if he declares the RM2,000 cash sale. At the same time, he wants to renovate is shop and intends to use the RM2,000 cash sale for that purpose.

For that year, Adam omits the RM2,000 cash sale from his current year tax computation. If you are in a similar situation, what would you do?

1.	If I had the opportunity I would omit the RM2,000 cash sale from the tax computation	Likely 1 2 3 4 5 6 7	Unlikely
2.	For me to omit the RM2,000 cash sale from the tax computation is	Good 1 2 3 4 5 6 7	Bad
3.	Most of people important to me think I should omit the RM2,000 cash sale from the tax computation	Agree 1 2 3 4 5 6 7	Disagree
4.	For me to omit the RM2,000 cash sale from the tax computation is	Easy 1 2 3 4 5 6 7	Difficult

5.	I would never omit the RM2,000 cash sale from the tax computation	True	1	2	3	4	5	6	7	False
6.	For me to omit the RM2,000 cash sale from the tax computation is	Worthless	1	2	3	4	5	6	7	Useful
7.	Most people who are important to me will look down at me if I omit the RM2,000 cash sale from the tax computation	Likely	1	2	3	4	5	6	7	Unlikely
8.	With my expertise, I could easily omit the RM2,000 cash sale from the tax computation if I wanted to	Agree	1	2	3	4	5	6	7	Disagree
9.	In the future, I may omit the RM2,000 cash sale from the tax computation	True	1	2	3	4	5	6	7	False
10.	For me to omit the RM2,000 cash sale from the tax computation is	Harmful	1	2	3	4	5	6	7	Beneficial
11.	No one who is important to me thinks it is OK to omit the RM2,000 cash sale from the tax computation	Agree	1	2	3	4	5	6	7	Disagree
12.	How much control do you have over omitting the RM2,000 cash sale from the tax computation	Complete control	1	2	3	4	5	6	7	Absolutely no control

Please refer to the following statement to answer questions 13 to 24.

In your opinion, Adam's decision to omit the RM2,000 cash sale is:

13.	Just	1	2	3	4	5	6	7	Unjust
14.	Fair	1	2	3	4	5	6	7	Unfair
15.	Morally right	1	2	3	4	5	6	7	Not morally right
16.	Acceptable to my family	1	2	3	4	5	6	7	Not acceptable to my family
17.	Traditionally acceptable	1	2	3	4	5	6	7	Traditionally unacceptable
18.	Culturally acceptable	1	2	3	4	5	6	7	Culturally unacceptable
19.	Not self-promoting for Adam	1	2	3	4	5	6	7	Self-promoting for Adam
20.	Personally satisfying for Adam	1	2	3	4	5	6	7	Not personally satisfying for Adam
21.	Produces greatest utility	1	2	3	4	5	6	7	Produces the least utility
22.	Minimizing benefits while maximizing harm	1	2	3	4	5	6	7	Maximizing benefits while minimizing harm
23.	Violating an unwritten contract	1	2	3	4	5	6	7	Not violating an unwritten contract
24.	Violating an unspoken promise	1	2	3	4	5	6	7	Not violating an unspoken promise

25. The probability that my peers will take the same action is

High 1 2 3 4 5 6 7 Low

26. The probability that I will take the same action is

High 1 2 3 4 5 6 7 Low

SECTION 3

In this section you are provided with questions related to your background. For each question, please tick (√) the answer that represents you.

1. Please indicate your gender

   Male ☐ Female ☐

2. Please indicate your age

   25 years or below ☐ 26-30 years old ☐ 31-35 years old ☐

   36-40 years old ☐ 41-45 years old ☐ 46-50 years old ☐

   51-55 years old ☐ 56-60 years old ☐ Over 60 years old ☐

3. Please indicate your ethnicity

   Malay ☐ Chinese ☐ Indian ☐ Others (Please ☐ _____

4. Please indicate your years of experience as a tax professional

   Less than 5 ☐ 5-10 years ☐ 11-20 years ☐ More than 20 years ☐

5. What type of firm are you currently working in?

   Big Four public accounting firm ☐ Medium size public accounting firm ☐

   Small size public accounting firm ☐ Others (Please state): ☐ _____

6. Please state your current position in the firm (for example: Junior, Senior, Assistant Manager, Manager, Partner, etc.)

   _____

Thank you very much for your participation. Please return the completed questionnaire in the enclosed self-addressed envelope.

Appendix E: Sample of invitation email promoted by NZICA

Department of Accounting and Information Systems
College of Business and Economics
Suhaila Abdul Hamid Email: sba108@uclive.ac.nz
Phone: +64 3 3642613 Fax: +64 3 3642727

A SURVEY AND INTERVIEW OF TAX COMPLIANCE AND TAX PROFESSIONALS IN SELF-ASSESSMENT SYSTEM (SAS)

Dear Sir/Madam,

My name is Suhaila Abdul Hamid and I am currently pursuing the Degree of Doctor of Philosophy (PhD) in the Department of Accounting and Information Systems (ACIS), at the University of Canterbury, Christchurch, New Zealand. As a requirement for the degree, I am conducting a study on the decision making of tax professionals in complying with the tax law under the supervision of Professor Adrian Sawyer and Associate Prof. Andrew Maples. The research has been reviewed and approved by the Human Ethics Committee, University of Canterbury.

The success of this project depends greatly on your participation. Therefore, I would like to invite you to participate in the study by completing the questionnaire survey and take part in the telephone interview later. With your support, it is hoped the study would be of great utility to enriching our knowledge on tax professionals' decision making and could be useful in assisting the accounting profession, the professional bodies and the accounting educators to shape the future generation of accounting professionals.

This questionnaire is anonymous and you will not be identified as a participant. By completing the questionnaire it is understood that you have provided your consent to the publication of the collective results of the study with the understanding that your anonymity will be preserved. You may withdraw from the project until your questionnaire has been posted. Please click the following link to answer the survey http://canterbury.qualtrics.com/SE/?SID=SV_0keNFtrysbiNXfu.

In addition to completing the questionnaire, I would like to invite you to share more of your views and experience regarding the issue under study in a telephone interview later. It will take no longer than an hour and will be recorded by audiotape for the purpose of ensuring that the researcher understands correctly the information provided. You will be offered to check the transcript of the interview to confirm the correctness of the information provided. If you agree to participate, please complete the following link http://canterbury.qualtrics.com/SE/?SID=SV_07hFAfpkz3eoZi4.

All responses and information provided for this study will be treated with strict confidential and will only be used for the purpose of this PhD study. All information provided will be securely stored and subsequently destroyed upon completion of my PhD study. Since a PhD is a public document via the University of Canterbury database, the information provided would be available to the public. However, only collective results or information will be published without referring to any particular individual.

Should you have any enquiries, please do not hesitate to contact myself at sba108@uclive.ac.nz or my Senior Supervisor: Professor Adrian Sawyer at adrian.sawyer@canterbury.ac.nz.

Yours Sincerely,

Suhaila Abdul Hamid
PhD Candidate
ACIS Department
University of Canterbury
Christchurch, New Zealand

Appendix F: Survey measures or indicators

Measures or indicators used in the survey

Measures	Code	Strongly Disagree						Strongly Agree
Power Distance	**PD**							
A junior staff should follow the instructions from his/her superior in complying with the tax law	PD1	1	2	3	4	5	6	7
A junior staff should feel afraid to disagree with his/her superior in complying with the tax law	PD2	1	2	3	4	5	6	7
Most of the time, a superior is expected to tell his/her junior staff on what to do in complying with the tax law	PD3	1	2	3	4	5	6	7
A junior staff should always be involved in the decision making when dealing with client's tax matters *	PD4R	1	2	3	4	5	6	7
Individualism	**IND**							
The benefits that we as a society could enjoy from the amount of tax collected is very important to me *	IND1R	1	2	3	4	5	6	7
When complying with the tax law, I only consider the effect to my client	IND2	1	2	3	4	5	6	7
I do not care whether or not the society would benefit from the amount of tax collected as long as I could enjoy the tax benefit	IND3	1	2	3	4	5	6	7
I would consider the long term effect to the society when complying with the tax law*	IND4R	1	2	3	4	5	6	7
Masculinity	**MAS**							
I would rather challenge the tax authority than negotiate with them in a tax lawsuit	MAS1	1	2	3	4	5	6	7
I always feel confident with the decision that I make when complying with the tax law	MAS2	1	2	3	4	5	6	7
I prefer to challenge the tax authority's decision rather than negotiate with them	MAS3	1	2	3	4	5	6	7
I always feel confident to make my own decisions while dealing with my client's tax matter	MAS4	1	2	3	4	5	6	7
Uncertainty Avoidance	**UAV**							
The more precise the tax law, the better	UAV1	1	2	3	4	5	6	7
I do not mind having differences in tax judgments with the tax authority. *	UAV2R	1	2	3	4	5	6	7
When complying with the tax law, I avoid taking any tax risk since a tax risk could cause unfavourable effect	UAV3	1	2	3	4	5	6	7
When complying with the tax law, a tax risk is an opportunity. *	UAV4R	1	2	3	4	5	6	7

Measures	Code	1	2	3	4	5	6	7
Intention	**INO**							
If I had the opportunity, I would overstate the business travelling expenses in the tax return* (Likely…Unlikely)	INO1R	1	2	3	4	5	6	7
I would never overstate the business travelling expenses claimed in the tax return (True…False)	INO2	1	2	3	4	5	6	7
In the future, I may overstate the business travelling expenses in the tax return (True…False)	INO3R	1	2	3	4	5	6	7
Attitude	**ATO**							
For me to overstate the business travelling expenses claimed in the tax return is* (Good…Bad)	ATO1R	1	2	3	4	5	6	7
For me to overstate the business travelling expenses in the tax return is (Worthless…Useful)	ATO2	1	2	3	4	5	6	7
For me to overstate the business travelling expenses in the tax return is (Harmful…Beneficial)	ATO3	1	2	3	4	5	6	7
Subjective norms	**SNO**							
Most of people important to me think that I should overstate the business travelling expenses* (Agree…Disagree)	SNO1R	1	2	3	4	5	6	7
Most of people important to me will look down at me if I overstate the business travelling expenses in the tax return (Likely…Unlikely)	SNO2	1	2	3	4	5	6	7
No one who is important to me thinks it is OK to overstate the business travelling expenses in the tax return (Agree…Disagree)	SNO3	1	2	3	4	5	6	7
Perceived Behavioural Control	**PBO**							
For me to overstate the business travelling expenses in the tax return is (Easy…Difficult)	PBO1	1	2	3	4	5	6	7
With my expertise, I could easily overstate the business travelling expenses in the tax return if I wanted to (Agree…Disagree)	PBO2	1	2	3	4	5	6	7
How much control do you have over overstating the business travelling expenses in the tax return (Complete control…Absolutely no control)	PBO3	1	2	3	4	5	6	7

Measures	Code	1	2	3	4	5	6	7
Intention	**INU**							
If I had the opportunity I would omit the $2,000 cash sale from the tax computation.* (Likely…Unlikely)	INU1R	1	2	3	4	5	6	7
I would never omit the $2,000 cash sale from the tax computation (True…False)	INU2	1	2	3	4	5	6	7
In the future, I may omit the $2,000 cash sale from the tax computation* (True…False)	INU3R	1	2	3	4	5	6	7
Attitude	**ATU**							
For me to omit the $2,000 cash sale from the tax computation is (Good…Bad)	ATU1R	1	2	3	4	5	6	7
For me to omit the $2,000 cash sale from the tax computation is (Worthless…Useful)	ATU2	1	2	3	4	5	6	7
For me to omit the $2,000 cash sale from the tax computation is (Harmful…Beneficial)	ATU3	1	2	3	4	5	6	7
Subjective norms	**SNU**							
Most of people important to me think I should omit the $2,000 cash sale from the tax computation* (Agree….Disagree)	SNU1R	1	2	3	4	5	6	7
Most people who are important to me will look down at me if I omit the $2,000 cash sale from the tax computation (Likely…Unlikely)	SNU2	1	2	3	4	5	6	7
No one who is important to me thinks it is OK to omit the $2,000 cash sale from the tax computation (Agree…Disagree)	SNU3	1	2	3	4	5	6	7
Perceived Behavioural Control	**PBU**							
For me to omit the $2,000 cash sale from the tax computation is (Easy…Difficult)	PBU1	1	2	3	4	5	6	7
With my expertise, I could easily omit the $2,000 cash sale from the tax computation if I wanted to (Agree…Disagree)	PBU2	1	2	3	4	5	6	7
How much control do you have over omitting the $2,000 cash sale from the tax computation? (Complete control…Absolutely no control)	PBU3	1	2	3	4	5	6	7

Measures	Code	1	2	3	4	5	6	7
In your opinion, Rose's decision to overstate the business travelling expenses is:								
Moral Equity	**MEO**							
Just…….Unjust	MEO1	1	2	3	4	5	6	7
Fair…….Unfair	MEO2	1	2	3	4	5	6	7
Morally right …….Not morally right	MEO3	1	2	3	4	5	6	7
Acceptable to my family…….Not acceptable to my family	MEO4	1	2	3	4	5	6	7
Relativism	**REO**							
Traditionally acceptable…….Traditionally unacceptable	REO1	1	2	3	4	5	6	7
Culturally acceptable…….Culturally unacceptable	REO2	1	2	3	4	5	6	7
Egoism	**EGO**							
Not self-promoting for Rose…….Self-promoting for Rose*	EGO1R	1	2	3	4	5	6	7
Personally satisfying for Rose…….Not personally satisfying for Rose	EGO2	1	2	3	4	5	6	7
Utilitarian	**UTO**							
Produces greatest utility……..Produces the least utility	UTO1	1	2	3	4	5	6	7
Minimizing benefits while maximizing harm……Maximizing benefits while minimizing harm*	UTO2R	1	2	3	4	5	6	7
Contractualism	**COO**							
Violating an unwritten contract…….Not violating an unwritten contract*	COO1R	1	2	3	4	5	6	7
Violating an unspoken promise…….Not violating an unspoken promise	COO2R	1	2	3	4	5	6	7

Measures	Code	1	2	3	4	5	6	7
In your opinion, Adam's decision to omit the $2,000 cash sale is:								
Moral Equity	**MEU**							
Just…….Unjust	MEU1	1	2	3	4	5	6	7
Fair…….Unfair	MEU2	1	2	3	4	5	6	7
Morally right …….Not morally right	MEU3	1	2	3	4	5	6	7
Acceptable to my family…….Not acceptable to my family	MEU4	1	2	3	4	5	6	7
Relativism	**REU**							
Traditionally acceptable…….Traditionally unacceptable	REU1	1	2	3	4	5	6	7
Culturally acceptable…….Culturally unacceptable	REU2	1	2	3	4	5	6	7
Egoism	**EGU**							
Not self-promoting for Adam…….Self-promoting for Adam*	EGU1R	1	2	3	4	5	6	7
Personally satisfying for Adam…….Not personally satisfying for Adam	EGU2	1	2	3	4	5	6	7
Utilitarian	**UTU**							
Produces greatest utility……..Produces the least utility	UTU1	1	2	3	4	5	6	7
Minimizing benefits while maximizing harm……Maximizing benefits while minimizing harm*	UTU2R	1	2	3	4	5	6	7
Contractualism	**COU**							
Violating an unwritten contract…….Not violating an unwritten contract*	COU1R	1	2	3	4	5	6	7
Violating an unspoken promise…….Not violating an unspoken promise	COU2R	1	2	3	4	5	6	7

Appendix G: Interview guide

Introduction

Thank you very much for your kind cooperation. Before we start our interview, I would like to inform you the purpose and procedures for the interview today.

Purpose

The purpose of the interview is to delve into the factors that contribute to ethical decision making by tax professionals in complying with the tax laws.

Procedure

The telephone interview should take no longer than 60 minutes each.

All interviews are recorded using audio to ensure the researcher understands the information given during the interview.

The data would be kept securely and published only for the purposes of this research without identifying you as a participant.

Participants will be referred by numbers in any publication to maintain confidentiality. For instance (participant no 1. no. 2 etc).

The questions are related to your opinions and experience as tax professionals in complying with the tax laws. Thus, I would be grateful if you could provide examples in your answers for better understanding.

Section 1: Demographic details

Could you please tell me a little bit of your background

Gender

Age

Years of experience in doing tax job

Position in the firm

Type of firm currently working

Ethnicity

Section 2: General tax compliance

Could you please explain the term ‘tax compliance’?

Could you please explain how do you make decisions before advising your clients?

Section 3: Theory of Planned Behaviour

Could you please explain whether or not your own attitude towards tax compliance influences your intention to comply with the tax laws?

Could you please explain whether the people close to you (for example: family, friends, colleagues) have any influence in your decision making when complying with the tax law?

Do you always have control in deciding whether or not to comply with the tax laws? Please explain.

Section 3: Ethics and tax compliance

What do you understand by the term ‘ethics’?

What do you understand about ethical sensitivity or ethical awareness in complying with tax law? Please explain.

Do you think your ethical sensitivity helps you in complying with the tax law? If yes, please explain.

Section 4: Culture and tax compliance

How do you perceive yourself (apart from as a tax professional) while assisting your clients to comply with tax laws? (for example: as an individual, a member of a society, a citizen of a nation)

In complying with the tax law, how important is your superior or your staffs to you? Please explain. (For instance, do you consider their opinion, consult with them or discuss with them before making decision?)

In complying with the tax law, do you consider the effect to the society? Please explain.

In complying with the tax law, do you feel afraid or uncomfortable to take risk? Please explain.

Wrap up section

What is the most important motivation that drives you to comply with the tax law?

Do you have any questions?

Thank you very much. I appreciate very much your contribution in this study.

Appendix H: Interview consent form

CONSENT FORM FOR INTERVIEW

TAX COMPLIANCE AND TAX PROFESSIONALS IN SELF-ASSESSMENT SYSTEMS

The aim of the interview is to gather an in-depth understanding of the underlying factors that motivate the compliance behaviour of tax professionals while performing their duties. The interview will take around 60 minutes to complete. All interview conversations will be recorded for research purposes only and subsequently will be destroyed. All participants in the interview will be referred according to numbers in any publications, for instance, "participant no. 1" to maintain confidentiality. The procedures for the interview, data storage and questions asked, had fulfilled the requirements and had been approved by the Human Ethics Committee Office, University of Canterbury. If you are willing to be interviewed, please complete the following section. The researcher will contact you to arrange for an interview later.

I have read and understood the description of the above-named project. On this basis I agree to participate as a subject in the project, and I consent to publication of the results of the project with the understanding that confidentiality will be preserved. I am also aware that the information provided in the interview could be accessed collectively by the public since a PhD is a public document via the University of Canterbury Library database.

I understand also that if I have agreed to participate in an interview I may up until the time I have agreed with the transcript of my interview, I may withdraw my interview comments from the project.

I note that the project has been reviewed and approved by the University of Canterbury Human Ethics Committee Office.

Name (please print): _____

Telephone number: _____

Thank you very much for your support.

Appendix I: Nonresponse bias test - Malaysia

Independent Samples Test for Non-response Bias : Malaysia

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
PD1	Equal variances assumed	.001	.980	-.696	90	.488	-.254	.365	-.978	.470
	Equal variances not assumed			-.697	89.997	.488	-.254	.364	-.978	.470
PD2	Equal variances assumed	.703	.404	-1.574	90	.119	-.606	.385	-1.372	.159
	Equal variances not assumed			-1.581	87.025	.117	-.606	.383	-1.369	.156
PD3	Equal variances assumed	.480	.490	-1.288	90	.201	-.471	.366	-1.198	.256
	Equal variances not assumed			-1.284	87.820	.202	-.471	.367	-1.200	.258
PD4R	Equal variances assumed	.000	.985	-.461	90	.646	-.126	.274	-.670	.418

	Equal variances not assumed			-.462	89.928	.646	-.126	.274	-.670	.417
IND1R	Equal variances assumed	.791	.376	-1.244	90	.217	-.390	.314	-1.013	.233
	Equal variances not assumed			-1.241	88.088	.218	-.390	.314	-1.015	.234
IND2	Equal variances assumed	.982	.324	1.205	90	.231	.383	.318	-.249	1.015
	Equal variances not assumed			1.208	89.515	.230	.383	.317	-.247	1.013
IND3	Equal variances assumed	15.692	.000	1.181	90	.241	.429	.363	-.293	1.151
	Equal variances not assumed			1.191	79.896	.237	.429	.360	-.288	1.146
IND4R	Equal variances assumed	1.995	.161	.871	90	.386	.235	.270	-.301	.771
	Equal variances not assumed			.874	89.369	.385	.235	.269	-.299	.769
MAS1	Equal variances assumed	1.751	.189	-.548	90	.585	-.188	.342	-.867	.492
	Equal variances not assumed			-.551	88.533	.583	-.188	.341	-.865	.490
MAS2	Equal variances assumed	.006	.936	-.911	90	.365	-.246	.270	-.783	.291
	Equal variances not assumed			-.913	89.822	.364	-.246	.270	-.782	.290
MAS3	Equal variances assumed	.010	.920	-1.126	90	.263	-.369	.327	-1.019	.282
	Equal variances not assumed			-1.124	88.509	.264	-.369	.328	-1.021	.283
MAS4	Equal variances assumed	.318	.574	2.001	90	.048	.548	.274	.004	1.092

	Equal variances not assumed			2.001	89.934	.048	.548	.274	.004	1.092
UAV1	Equal variances assumed	10.566	.002	2.713	90	.008	.624	.230	.167	1.081
	Equal variances not assumed			2.695	80.209	.009	.624	.231	.163	1.085
UAV2R	Equal variances assumed	2.710	.103	-.976	90	.332	-.335	.343	-1.018	.347
	Equal variances not assumed			-.980	88.535	.330	-.335	.342	-1.015	.345
UAV3	Equal variances assumed	1.140	.289	1.360	90	.177	.401	.295	-.185	.987
	Equal variances not assumed			1.355	86.216	.179	.401	.296	-.187	.989
UAV4R	Equal variances assumed	1.025	.314	-.458	90	.648	-.146	.319	-.780	.488
	Equal variances not assumed			-.459	89.895	.648	-.146	.319	-.779	.487

Appendix J: Nonresponse bias test - New Zealand

Independent Samples Test for Non-response Bias : New Zealand

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
PD1	Equal variances assumed	1.615	.206	-.961	117	.339	-.281	.293	-.860	.298
	Equal variances not assumed			-.947	91.279	.346	-.281	.297	-.871	.308
PD2	Equal variances assumed	4.549	.035	-2.383	117	.019	-.582	.244	-1.067	-.098
	Equal variances not assumed			-2.288	83.220	.025	-.582	.255	-1.089	-.076
PD3	Equal variances assumed	3.490	.064	-.457	117	.648	-.136	.298	-.725	.453
	Equal variances not assumed			-.442	84.910	.660	-.136	.308	-.749	.477
PD4R	Equal variances assumed	2.842	.094	.748	117	.456	.202	.270	-.332	.736
	Equal variances not assumed			.730	87.917	.468	.202	.277	-.348	.752
IND1R	Equal variances assumed	2.600	.110	.582	117	.562	.108	.186	-.260	.476

	Equal variances not assumed			.619	113.108	.537	.108	.175	-.238	.454
IND2	Equal variances assumed	4.059	.046	.044	117	.965	.015	.332	-.643	.672
	Equal variances not assumed			.042	84.570	.966	.015	.344	-.670	.700
IND3	Equal variances assumed	.255	.615	-.511	117	.610	-.137	.268	-.669	.394
	Equal variances not assumed			-.507	92.855	.614	-.137	.271	-.675	.401
IND4R	Equal variances assumed	2.699	.103	-.308	117	.758	-.092	.300	-.687	.502
	Equal variances not assumed			-.298	85.543	.766	-.092	.310	-.709	.524
MAS1	Equal variances assumed	.888	.348	.267	117	.790	.087	.325	-.557	.730
	Equal variances not assumed			.263	91.993	.793	.087	.329	-.567	.740
MAS2	Equal variances assumed	4.824	.030	1.828	117	.070	.412	.225	-.034	.859
	Equal variances not assumed			1.683	71.720	.097	.412	.245	-.076	.900
MAS3	Equal variances assumed	3.377	.069	-.274	117	.784	-.058	.212	-.477	.361
	Equal variances not assumed			-.261	80.725	.795	-.058	.222	-.500	.384
MAS4	Equal variances assumed	.507	.478	.034	117	.973	.009	.255	-.495	.513
	Equal variances not assumed			.034	92.236	.973	.009	.257	-.503	.520
UAV1	Equal variances assumed	.102	.750	-.856	117	.394	-.189	.221	-.627	.249

	Equal variances not assumed			-.856	95.838	.394	-.189	.221	-.628	.250
UAV2R	Equal variances assumed	1.778	.185	1.069	117	.287	.346	.324	-.295	.988
	Equal variances not assumed			1.097	103.752	.275	.346	.316	-.280	.972
UAV3	Equal variances assumed	.187	.666	1.028	117	.306	.298	.290	-.276	.873
	Equal variances not assumed			1.035	98.035	.303	.298	.288	-.274	.870
UAV4R	Equal variances assumed	.644	.424	-.398	117	.692	-.100	.251	-.596	.397
	Equal variances not assumed			-.390	89.318	.698	-.100	.256	-.608	.409

Appendix K: Descriptive statistics - Malaysia

	N	Minimum	Maximum	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
PD1	92	1	7	-.920	.251	.140	.498
PD2	92	1	7	1.077	.251	3.301	.498
PD3	92	1	7	.052	.251	-.189	.498
PD4R	92	1	7	.652	.251	.159	.498
IND1R	92	1	7	1.165	.251	1.110	.498
IND2	92	1	7	-.130	.251	-.218	.498
IND3	92	1	7	.550	.251	-.630	.498
IND4R	92	1	7	.398	.251	.070	.498
MAS1	92	1	7	.017	.251	-.677	.498
MAS2	92	2	7	-.155	.251	-.720	.498
MAS3	92	1	7	.258	.251	-.401	.498
MAS4	92	1	7	-.469	.251	.385	.498
UAV1	92	3	7	-.510	.251	-.682	.498
UAV2R	92	1	7	.149	.251	-.728	.498
UAV3	92	1	7	-.522	.251	.103	.498
UAV4R	92	1	7	-.080	.251	-.448	.498
INO1R	92	1	7	.321	.251	-1.073	.498
INO2	92	1	7	.291	.251	-.982	.498
INO3R	92	1	7	.418	.251	-1.014	.498
ATO1R	92	1	7	.314	.251	-.760	.498
ATO2	92	1	7	-.148	.251	-1.071	.498
ATO3	92	1	7	.345	.251	-.654	.498
SNO1R	92	1	7	.095	.251	-.943	.498
SNO2	92	1	7	-.171	.251	-.617	.498
SNO3	92	1	7	.126	.251	-.473	.498
PBO1	92	1	7	-.103	.251	-.842	.498
PBO2	92	1	7	.288	.251	-.980	.498
PBO3	92	1	7	.557	.251	-.113	.498
MEO1	92	1	7	-.055	.251	-.902	.498
MEO2	92	1	7	-.496	.251	-.179	.498
MEO3	92	2	7	-.325	.251	-.703	.498
MEO4	92	1	7	-.218	.251	-.860	.498
REO1	92	1	7	.046	.251	-.646	.498
REO2	92	1	7	-.104	.251	-.798	.498
EGO1R	92	1	7	.096	.251	-.402	.498

	N	Minimum	Maximum	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
EGO2	92	1	7	.138	.251	-.853	.498
UTO2R	92	1	7	.025	.251	-.520	.498
COO1R	92	1	7	.003	.251	-.225	.498
COO2R	92	1	7	-.016	.251	-.156	.498
PEERO	92	1	7	.113	.251	-.752	.498
SELFO	92	1	7	-.187	.251	-.764	.498
INU1R	92	1	7	.414	.251	-.845	.498
INU2	92	1	7	.150	.251	-.881	.498
INU3R	92	1	7	.441	.251	-.661	.498
ATU1R	92	1	6	.364	.251	-.603	.498
ATU2	92	1	7	-.103	.251	-.606	.498
ATU3	92	1	7	.222	.251	-.248	.498
SNU1R	92	1	7	.266	.251	-.748	.498
SNU2	92	1	7	.047	.251	-.835	.498
SNU3	92	1	7	.178	.251	-.349	.498
PBU1	92	1	7	.357	.251	-.716	.498
PBU2	92	1	7	.774	.251	-.046	.498
PBU3	92	1	7	.296	.251	-.432	.498
MEU1	92	1	7	-.432	.251	-.294	.498
MEU2	92	1	7	-.468	.251	-.045	.498
MEU3	92	1	7	-.588	.251	-.016	.498
MEU4	92	1	7	-.097	.251	-.780	.498
REU1	92	1	7	.030	.251	-.615	.498
REU2	92	1	7	-.012	.251	-.831	.498
EGU1R	92	1	7	.056	.251	-.024	.498
EGU2	92	1	7	.061	.251	-.441	.498
UTU1	92	1	7	.123	.251	-.339	.498
UTU2R	92	1	7	.071	.251	-.454	.498
COU1R	92	1	7	.120	.251	-.736	.498
COU2R	92	1	7	.062	.251	-.446	.498
PEERU	92	1	7	-.018	.251	-.811	.498
SELFU	92	1	7	-.457	.251	-.560	.498
Valid N (listwise)	92						

Appendix L: Descriptive statistics – New Zealand

	N	Minimum	Maximum	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
PD1	119	1	7	-.646	.222	-.110	.440
PD2	119	1	6	.695	.222	.005	.440
PD3	119	1	7	-.148	.222	-.562	.440
PD4R	119	1	7	.088	.222	-.232	.440
IND1R	119	1	6	.957	.222	1.658	.440
IND2	119	1	7	-.240	.222	-1.149	.440
IND3	119	1	7	1.175	.222	1.112	.440
IND4R	119	1	7	-.222	.222	-.911	.440
MAS1	119	1	7	.371	.222	-.938	.440
MAS2	119	1	7	-1.298	.222	1.534	.440
MAS3	119	1	5	.421	.222	-.575	.440
MAS4	119	2	7	-.751	.222	-.515	.440
UAV1	119	2	7	-1.400	.222	1.737	.440
UAV2R	119	1	7	.206	.222	-1.284	.440
UAV3	119	1	7	-.045	.222	-.968	.440
UAV4R	119	2	7	-.138	.222	-1.026	.440
INO1R	119	1	7	1.705	.222	1.806	.440
INO2	119	1	7	.996	.222	-.236	.440
INO3R	119	1	7	1.658	.222	2.062	.440
ATO1R	119	1	7	1.999	.222	4.454	.440
ATO2	119	1	7	.630	.222	-.595	.440
ATO3	119	1	7	.948	.222	.122	.440
SNO1R	119	1	6	1.229	.222	.463	.440
SNO2	119	1	7	.487	.222	-1.023	.440
SNO3	119	1	7	.569	.222	-.915	.440
PBO1	119	1	7	-.273	.222	-1.558	.440
PBO2	119	1	7	1.349	.222	.708	.440
PBO3	119	1	7	1.336	.222	1.652	.440
MEO1	119	1	7	-1.463	.222	2.014	.440
MEO2	119	1	7	-1.191	.222	.872	.440
MEO3	119	1	7	-2.033	.222	5.638	.440
MEO4	119	2	7	-1.145	.222	.335	.440
REO1	119	1	7	-.423	.222	-1.049	.440
REO2	119	1	7	-.229	.222	-1.105	.440
EGO1R	119	1	7	.901	.222	-.285	.440

	N	Minimum	Maximum	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
EGO2	119	1	7	.518	.222	-.930	.440
UTO1	119	1	7	-.077	.222	-.510	.440
UTO2R	119	1	7	-.258	.222	-.507	.440
COO1R	119	1	7	-.705	.222	-.427	.440
COO2R	119	1	7	-.637	.222	-.183	.440
PEERO	119	1	7	-.118	.222	-1.189	.440
SELFO	119	1	7	-.943	.222	-.567	.440
INU1R	119	1	7	3.383	.222	12.265	.440
INU2	119	1	7	1.797	.222	2.034	.440
INU3R	119	1	7	2.032	.222	3.637	.440
ATU1R	119	1	5	2.441	.222	7.643	.440
ATU2	119	1	7	.619	.222	-1.030	.440
ATU3	119	1	7	1.234	.222	.413	.440
SNU1R	119	1	7	1.605	.222	1.919	.440
SNU2	119	1	7	.905	.222	-.392	.440
SNU3	119	1	7	.998	.222	-.309	.440
PBU1	119	1	7	-.230	.222	-1.743	.440
PBU2	119	1	7	1.685	.222	2.234	.440
PBU3	119	1	7	1.658	.222	2.479	.440
MEU1	119	1	7	-3.407	.222	11.916	.440
MEU2	119	1	7	-3.426	.222	13.448	.440
MEU3	119	4	7	-3.481	.222	11.597	.440
MEU4	119	2	7	-2.532	.222	6.331	.440
REU1	119	2	7	-1.012	.222	-.477	.440
REU2	119	2	7	-.774	.222	-.673	.440
EGU1R	119	1	7	1.395	.222	.724	.440
EGU2	119	1	7	.630	.222	-.846	.440
UTU1	119	1	7	-.353	.222	-.155	.440
UTU2R	119	1	7	-.234	.222	-.911	.440
COU1R	119	1	7	-1.023	.222	.167	.440
COU2R	119	1	7	-.953	.222	.190	.440
PEERU	119	1	7	-.637	.222	-.840	.440
SELFU	119	1	7	-1.561	.222	1.094	.440
Valid N (listwise)	119						

Appendix M: Common method bias - Malaysia

Common Method Bias Test - Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	18.183	26.740	26.740	18.183	26.740	26.740
2	5.226	7.685	34.425			
3	3.600	5.294	39.719			
4	3.386	4.979	44.698			
5	2.928	4.306	49.004			
6	2.517	3.701	52.705			
7	2.408	3.542	56.247			
8	2.146	3.156	59.403			
9	2.019	2.969	62.373			
10	1.770	2.603	64.976			
11	1.659	2.440	67.416			
12	1.548	2.276	69.692			
13	1.466	2.155	71.847			
14	1.303	1.916	73.763			
15	1.252	1.841	75.604			
16	1.165	1.713	77.317			
17	1.150	1.691	79.008			
18	1.036	1.523	80.532			
19	.972	1.429	81.960			
20	.858	1.261	83.222			
21	.827	1.216	84.437			
22	.763	1.123	85.560			
23	.707	1.039	86.599			
24	.676	.994	87.593			
25	.648	.953	88.546			
26	.537	.790	89.336			
27	.531	.781	90.117			
28	.495	.727	90.845			
29	.457	.672	91.517			
30	.444	.653	92.170			
31	.423	.622	92.792			
32	.389	.572	93.364			
33	.351	.517	93.881			
34	.343	.505	94.385			

35	.334	.491	94.876
36	.310	.455	95.332
37	.252	.370	95.702
38	.237	.349	96.051
39	.227	.335	96.386
40	.216	.318	96.703
41	.207	.305	97.008
42	.203	.299	97.307
43	.188	.276	97.583
44	.166	.245	97.828
45	.157	.231	98.060
46	.145	.214	98.273
47	.132	.194	98.467
48	.128	.188	98.655
49	.112	.164	98.820
50	.105	.155	98.974
51	.097	.142	99.117
52	.088	.130	99.247
53	.075	.111	99.358
54	.072	.106	99.463
55	.059	.086	99.550
56	.053	.079	99.628
57	.048	.071	99.699
58	.039	.058	99.756
59	.034	.050	99.807
60	.029	.043	99.849
61	.026	.038	99.887
62	.021	.031	99.919
63	.018	.026	99.945
64	.011	.016	99.961
65	.010	.014	99.975
66	.008	.011	99.986
67	.005	.008	99.994
68	.004	.006	100.000

Extraction Method: Principal Component Analysis.

Appendix N: Common method bias – New Zealand

Common Method Bias Test - Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	13.919	20.468	20.468	13.919	20.468	20.468
2	4.493	6.608	27.076			
3	3.767	5.540	32.616			
4	3.077	4.525	37.141			
5	2.864	4.212	41.353			
6	2.551	3.752	45.105			
7	2.501	3.678	48.783			
8	2.293	3.373	52.155			
9	2.224	3.271	55.426			
10	2.108	3.100	58.526			
11	1.724	2.535	61.061			
12	1.599	2.352	63.413			
13	1.526	2.244	65.657			
14	1.448	2.129	67.786			
15	1.343	1.975	69.761			
16	1.226	1.803	71.564			
17	1.175	1.728	73.292			
18	1.128	1.658	74.950			
19	1.086	1.598	76.548			
20	1.012	1.488	78.036			
21	.960	1.412	79.448			
22	.917	1.349	80.797			
23	.869	1.277	82.074			
24	.856	1.259	83.333			
25	.732	1.076	84.409			
26	.692	1.017	85.426			
27	.666	.980	86.405			
28	.626	.920	87.326			
29	.615	.905	88.230			
30	.541	.796	89.027			

31	.519	.763	89.790
32	.489	.719	90.509
33	.475	.699	91.208
34	.449	.660	91.868
35	.413	.607	92.475
36	.354	.520	92.995
37	.349	.514	93.509
38	.338	.497	94.006
39	.326	.479	94.485
40	.307	.451	94.936
41	.277	.407	95.343
42	.247	.364	95.707
43	.243	.358	96.064
44	.233	.342	96.407
45	.229	.337	96.744
46	.213	.313	97.057
47	.198	.292	97.349
48	.183	.269	97.617
49	.171	.251	97.869
50	.165	.243	98.111
51	.147	.215	98.327
52	.140	.205	98.532
53	.127	.187	98.720
54	.109	.160	98.880
55	.103	.151	99.031
56	.099	.145	99.176
57	.088	.129	99.305
58	.083	.122	99.427
59	.073	.108	99.536
60	.062	.092	99.627
61	.055	.081	99.708
62	.052	.076	99.784
63	.042	.061	99.845
64	.031	.046	99.891
65	.027	.040	99.931
66	.022	.032	99.963
67	.017	.025	99.988
68	.008	.012	100.000

Appendix O: Social desirability bias tests - Malaysia

Paired Samples Test (Overstating tax expenses) – Malaysia

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	PEERO - SELFO	-.848	1.575	.164	-1.174	-.522	-5.162	91	.000

Paired Samples Test (Understating income scenario) – Malaysia

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	PEERU - SELFU	-.761	1.550	.162	-1.082	-.440	-4.707	91	.000

Appendix P: Social desirability bias tests – New Zealand

Paired Samples Test (Overstating tax expenses) – New Zealand

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	PEERO - SELFO	-.983	1.647	.151	-1.282	-.684	-6.513	118	.000

Paired Samples Test (Understating income expenses) – New Zealand

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	PEERU - SELFU	-.899	1.607	.147	-1.191	-.607	-6.103	118	.000

Appendix Q: Independent samples test for overall perceptions between Malaysia and New Zealand tax agents

Independent Samples Test – Comparison between Tax Agents from Malaysia and New Zealand on Culture, Theory of Planned Behaviour and Ethical Sensitivity

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
PD	Equal variances assumed	.368	.545	-.390	209	.697	-.054	.139	-.328	.220
	Equal variances not assumed			-.388	191.812	.698	-.054	.140	-.329	.221
IND	Equal variances assumed	2.566	.111	.971	209	.333	.121	.125	-.125	.367
	Equal variances not assumed			.990	206.461	.323	.121	.122	-.120	.362
MAS	Equal variances assumed	.011	.916	-3.536	209	.000	-.401	.113	-.625	-.178
	Equal variances not assumed			-3.529	194.169	.001	-.401	.114	-.626	-.177
UAV	Equal variances assumed	3.219	.074	1.373	209	.171	.165	.120	-.072	.403
	Equal variances not assumed			1.393	204.877	.165	.165	.119	-.069	.399
INO	Equal variances assumed	8.312	.004	-4.566	209	.000	-.925	.202	-1.324	-.525
	Equal variances not assumed			-4.475	178.739	.000	-.925	.207	-1.332	-.517
ATO	Equal variances assumed	4.496	.035	-4.812	209	.000	-.908	.189	-1.280	-.536
	Equal variances not assumed			-4.687	173.006	.000	-.908	.194	-1.291	-.526
SNO	Equal variances assumed	11.478	.001	-5.939	209	.000	-1.067	.180	-1.421	-.713
	Equal variances not assumed			-6.092	208.319	.000	-1.067	.175	-1.412	-.722

PBO	Equal variances assumed	1.906	.169	-4.607	209	.000	-.785	.170	-1.121	-.449
	Equal variances not assumed			-4.679	205.137	.000	-.785	.168	-1.116	-.454
MEO	Equal variances assumed	6.220	.013	6.464	209	.000	1.126	.174	.782	1.469
	Equal variances not assumed			6.272	169.132	.000	1.126	.179	.771	1.480
REO	Equal variances assumed	2.955	.087	2.630	209	.009	.602	.229	.151	1.053
	Equal variances not assumed			2.646	200.043	.009	.602	.227	.153	1.050
EGO	Equal variances assumed	5.798	.017	-4.658	209	.000	-.833	.179	-1.186	-.480
	Equal variances not assumed			-4.658	202.866	.000	-.133	.177	-1.182	-.484
UTO	Equal variances assumed	1.045	.308	1.735	209	.084	.319	.184	-.044	.682
	Equal variances not assumed			1.749	201.418	.082	.319	.183	-.041	.679
COO	Equal variances assumed	4.351	.038	1.576	209	.116	.360	.228	-.090	.810
	Equal variances not assumed			1.614	207.935	.108	.360	.223	-.080	.799
INU	Equal variances assumed	12.345	.001	-7.944	209	.000	-1.434	.181	-1.790	-1.078
	Equal variances not assumed			-7.694	167.501	.000	-1.434	.186	-1.802	-1.066
ATU	Equal variances assumed	.027	.870	-5.285	209	.000	-.907	.172	-1.245	-.569
	Equal variances not assumed			-5.258	191.811	.000	-.907	.172	-1.247	-.567
SNU	Equal variances assumed	13.976	.000	-7.249	209	.000	-1.324	.183	-1.684	-.964
	Equal variances not assumed			-7.436	208.289	.000	-1.324	.178	-1.675	-.973
PBU	Equal variances assumed	.005	.942	-2.017	209	.045	-.391	.194	-.774	-.009
	Equal variances not assumed			-1.994	186.411	.048	-.391	.196	-.779	-.004
MEU	Equal variances assumed	51.304	.000	10.455	209	.000	1.524	.146	1.237	1.812
	Equal variances not assumed			9.780	134.816	.000	1.524	.156	1.216	1.832
REU	Equal variances assumed	1.832	.177	5.162	209	.000	1.107	.214	.684	1.530
	Equal variances not assumed			5.184	198.814	.000	1.107	.214	.686	1.528

EGU	Equal variances assumed	35.676	.000	-7.348	209	.000	-1.326	.181	-1.682	-.971
	Equal variances not assumed			-7.643	208.337	.000	-1.326	.174	-1.669	-.984
UTU	Equal variances assumed	5.709	.018	3.013	209	.003	.550	.183	.190	.910
	Equal variances not assumed			3.061	205.312	.002	.550	.180	.196	.904
COU	Equal variances assumed	3.392	.067	2.932	209	.004	.665	.227	.218	1.112
	Equal variances not assumed			2.997	207.404	.003	.665	.222	.227	1.102

Appendix R: Extracts of SmartPLS results

1. PLS algorithm for overstating tax expense scenario (revised model) – Malaysia
2. Bootstrapping for overstating tax expense scenario (revised model) – Malaysia
3. PLS algorithm for overstating tax expense scenario (revised model) – New Zealand
4. Bootstrapping for overstating tax expense scenario (revised model) – New Zealand
5. PLS algorithm for understating income scenario (revised model) – Malaysia
6. Bootstrapping for understating income scenario (revised model) – Malaysia
7. PLS algorithm for understating income scenario (revised model) – New Zealand
8. Bootstrapping for understating income scenario (revised model) – New Zealand
9. PLS algorithm for second order factor and structural models for overstating tax expense scenario – Malaysia
10. Bootstrapping for second order factor and structural models for overstating tax expense scenario – Malaysia
11. PLS algorithm for second order factor and structural models for overstating tax expense scenario – New Zealand
12. Bootstrapping for second order factor and structural models for overstating tax expense scenario – New Zealand
13. PLS algorithm for second order factor and structural models for understating income scenario – Malaysia
14. Bootstrapping for second order factor and structural models for understating income scenario – Malaysia
15. PLS algorithm for second order factor and structural models for understating income scenario – New Zealand
16. Bootstrapping for second order factor and structural models for understating income scenario – New Zealand

PLS algorithm for overstating tax expense scenario (revised model) - Malaysia

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PLS Quality Criteria

Overview

	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality	Redundancy
ATO	0.831852	0.936874		0.899142	0.831852	
COO	0.977573	0.988659		0.977064	0.977573	
EGO	0.518203	0.680212		0.071925	0.518203	
IND	0.469939	0.639064		-0.128288	0.469939	
INO	0.814119	0.929273	0.797143	0.885818	0.814119	0.584440
MAS	0.608104	0.755497		0.359538	0.608104	
MEO	0.789087	0.937197		0.909926	0.789087	
PBO	0.539955	0.673440		0.203867	0.539955	
PD	0.554380	0.782706		0.628208	0.554380	
REO	0.901219	0.948043		0.890406	0.901219	
SNO	0.630956	0.766831		0.466314	0.630956	
UAV	0.528282	0.690551		0.107917	0.528282	
UTO	0.616493	0.762631		0.378590	0.616493	

Latent Variable Correlations

	ATO	COO	EGO	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO	1.000000												
COO	-0.276721	1.000000											
EGO	-0.238661	0.166970	1.000000										
IND	0.301539	-0.094764	0.138585	1.000000									
INO	0.865590	-0.322379	-0.275835	0.259234	1.000000								
MAS	-0.181255	0.179226	-0.063334	-0.301364	-0.249162	1.000000							
MEO	-0.806090	0.413296	0.272274	-0.225227	-0.775977	0.221933	1.000000						
PBO	-0.304107	0.158895	0.107383	0.086630	-0.250828	-0.082570	0.366329	1.000000					
PD	0.295825	-0.165822	-0.200692	0.046991	0.274015	0.080267	-0.351399	-0.208647	1.000000				
REO	-0.489186	0.104688	0.200750	-0.020287	-0.498893	0.202641	0.620882	0.369404	-0.120217	1.000000			
SNO	0.669349	-0.306927	-0.200770	0.165731	0.673164	-0.289296	-0.647403	-0.311092	0.349611	-0.565837	1.000000		
UAV	-0.165336	0.177104	0.041411	-0.344042	-0.184592	0.230442	0.159848	0.024873	-0.054330	-0.035387	-0.029688	1.000000	
UTO	-0.572225	0.416395	0.331365	-0.006047	-0.467756	0.027089	0.600605	0.267793	-0.238907	0.480846	-0.452872	0.010908	1.000000

Cross Loadings

	ATO	COO	EGO	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO1R	0.912703	-0.267367	-0.221351	0.362247	0.851415	-0.175044	-0.772481	-0.264083	0.254403	-0.456167	0.602745	-0.340046	-0.474921
ATO2	0.907171	-0.176580	-0.217096	0.214911	0.758504	-0.184554	-0.692581	-0.236994	0.272157	-0.405329	0.633415	-0.014961	-0.517298
ATO3	0.916281	-0.312010	-0.214087	0.236822	0.750499	-0.134835	-0.735995	-0.333235	0.284920	-0.476100	0.596103	-0.073385	-0.579864
COO1	-0.275110	0.989074	0.174188	-0.086473	-0.323606	0.150843	0.405254	0.147371	-0.162140	0.100141	-0.304477	0.170786	0.391611
COO2	-0.272047	0.988371	0.155700	-0.101147	-0.313731	0.204397	0.412127	0.167144	-0.165822	0.106982	-0.302426	0.179565	0.432425
EGO1	-0.159755	0.242204	0.639701	-0.007799	-0.174662	-0.112591	0.131879	-0.078034	-0.257408	-0.026014	-0.137873	-0.068646	0.150065
EGO2	-0.183381	0.024678	0.791953	0.186372	-0.219870	0.007098	0.249226	0.201600	-0.056443	0.281664	-0.151501	0.108371	0.311605
IND1R	0.208165	0.019948	-0.029860	0.658874	0.171599	-0.085900	-0.068417	0.085461	-0.070662	0.126853	-0.005699	-0.332309	-0.023419
IND3	0.205578	-0.144387	0.211797	0.711170	0.183616	-0.319609	-0.234920	0.035084	0.128391	-0.145470	0.225237	-0.145957	0.013863
INO1R	0.792906	-0.295774	-0.318184	0.270623	0.909299	-0.239792	-0.675973	-0.166766	0.231840	-0.403583	0.570925	-0.160307	-0.439635
INO2	0.776137	-0.248751	-0.184753	0.138159	0.896134	-0.198098	-0.702207	-0.254326	0.224225	-0.466792	0.654534	-0.046252	-0.394351
INO3R	0.773928	-0.327841	-0.243108	0.292238	0.901376	-0.236349	-0.722374	-0.258220	0.285566	-0.480308	0.597103	-0.292399	-0.431946
MAS2	-0.136338	0.178384	-0.169394	-0.401517	-0.173240	0.726757	0.143816	0.016266	0.003998	0.174328	-0.276336	0.136634	0.033974
MAS4	-0.146598	0.109527	0.047779	-0.101578	-0.213049	0.829477	0.198298	-0.130512	0.110762	0.146085	-0.186226	0.216225	0.010852
MEO1	-0.763383	0.382121	0.266578	-0.190911	-0.729026	0.168654	0.925407	0.377399	-0.366801	0.542102	-0.577313	0.142819	0.538463
MEO2	-0.749887	0.399775	0.300522	-0.182863	-0.724116	0.221090	0.910487	0.385693	-0.304442	0.533848	-0.610167	0.178143	0.547240
MEO3	-0.717080	0.415082	0.155883	-0.226651	-0.672773	0.251308	0.906246	0.313718	-0.350192	0.474928	-0.560222	0.142438	0.544606
MEO4	-0.625405	0.262720	0.239258	-0.203431	-0.625111	0.145673	0.806041	0.209743	-0.218510	0.669193	-0.551765	0.099637	0.503541
PBO1	-0.300199	0.140038	0.132896	0.058154	-0.244192	-0.085153	0.291984	0.944853	-0.162031	0.266128	-0.250211	-0.008460	0.230956
PBO2	-0.096154	0.096532	-0.040080	0.102720	-0.088702	-0.016077	0.307536	0.432622	-0.186921	0.388045	-0.254959	0.098748	0.176605

PD1	0.114220	-0.165487	-0.026122	-0.126605	0.099636	-0.116244	-0.149250	0.100875	0.540008	-0.061868	0.272957	-0.050589	-0.114731
PD2	0.147674	-0.213110	-0.059473	-0.004866	0.178310	0.070369	-0.177868	-0.130564	0.788459	-0.078719	0.245879	-0.035841	-0.160048
PD3	0.327192	-0.063748	-0.266382	0.121841	0.278706	0.122027	-0.382237	-0.278736	0.865946	-0.115471	0.291706	-0.043927	-0.230104
REO1	-0.468935	0.091513	0.218634	-0.036062	-0.478924	0.261259	0.600748	0.346177	-0.041573	0.950504	-0.529107	0.029503	0.449753
REO2	-0.459767	0.107437	0.161882	-0.002072	-0.468192	0.121911	0.577846	0.355306	-0.188343	0.948146	-0.545419	-0.098138	0.463373
SNO1R	0.684970	-0.197945	-0.189135	0.211654	0.679140	-0.313162	-0.610265	-0.312842	0.387733	-0.581483	0.934282	-0.058698	-0.417962
SNO2	0.286803	-0.386143	-0.121805	-0.021187	0.309776	-0.086438	-0.391943	-0.145378	0.084113	-0.237099	0.623721	0.049360	-0.293753
UAV1	-0.112064	0.125720	-0.026454	-0.233966	-0.124713	0.316133	0.114787	-0.087759	0.011061	0.070962	-0.060776	0.681305	0.107734
UAV3	-0.127759	0.131899	0.079554	-0.265174	-0.142990	0.038570	0.117900	0.110467	-0.083748	-0.110156	0.012517	0.769667	-0.079087
UTO1	-0.450705	0.133363	0.356425	0.090623	-0.382265	0.081796	0.452938	0.215535	-0.090164	0.534521	-0.367670	0.077623	0.805330
UTO2R	-0.448465	0.537954	0.155926	-0.108463	-0.351536	-0.044515	0.492585	0.204859	-0.293812	0.207442	-0.342994	-0.066516	0.764480

Outer Loadings

	AT	COO	EGO	IND	INO	MAS	ME	PBO	PD	REO	SNO	UAV	UTO
ATO	0.91												
ATO	0.90												
ATO	0.91												
COO		0.989											
COO		0.988											
EGO			0.639										
EGO			0.791										
IND1				0.658									
IND3				0.711									
INO1					0.909								
INO2					0.896								
INO3					0.901								
MAS						0.726							
MAS						0.829							
MEO							0.925						
MEO							0.910						
MEO							0.906						
MEO							0.806						
PBO								0.944					
PBO								0.432					
PD1									0.540				
PD2									0.788				
PD3									0.865				
REO										0.950			
REO										0.948			
SNO											0.934		
SNO											0.623		
UAV												0.681	
UAV												0.769	
UTO													0.805
UTO													

Outer Model (Weights or Loadings)

	ATO	COO	EGO	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO	0.91												
ATO	0.90												
ATO	0.91												
COO		0.9890											
COO		0.9883											
EGO			0.63										
EGO			0.79										
IND1				0.65									
IND3				0.71									
INO1					0.90								
INO2					0.89								
INO3					0.90								
MAS						0.72							
MAS						0.82							
MEO							0.9254						
MEO							0.9104						
MEO							0.9062						
MEO							0.8060						
PBO1								0.94					
PBO2								0.43					
PD1									0.54				
PD2									0.78				
PD3									0.86				
REO										0.95			
REO										0.94			
SNO1											0.93		
SNO2											0.62		
UAV												0.68	
UAV												0.76	
UTO													0.80
UTO													0.76

Bootstrapping for overstating tax expense scenario (revised model) – Malaysia

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Outer Model T-Statistic

	ATO	COO	EGO	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO1	46.46												
ATO2	34.41												
ATO3	32.54												
COO		211.1											
COO		222.2											
EGO1			2.371										
EGO2			3.350										
IND1				2.346									
IND3				2.597									
INO1					35.7								
INO2					36.7								
INO3					40.7								
MAS2						3.72							
MAS4						4.26							
MEO							42.90						
MEO							26.05						
MEO							39.98						
MEO							12.87						
PBO1								5.28					
PBO2								1.66					
PD1									2.45				
PD2									4.70				
PD3									6.79				
REO1										46.53			
REO2										59.32			
SNO1											28.66		
SNO2											4.276		
UAV1												2.39	
UAV3												2.76	
UTO1													6.87
UTO2													5.16

PLS algorithm for overstating expense scenario (revised model) – New Zealand

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PLS Quality Criteria

Overview

	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality	Redundancy
ATO	0.687059	0.868043		0.775300	0.687059	
COO	0.949898	0.974305		0.947444	0.949898	
EGO	0.485432	0.636767		-0.069556	0.485432	
IND	0.713614	0.831379		0.622944	0.713614	
INO	0.722758	0.886044	0.745807	0.807445	0.722757	0.417913
MAS	0.641250	0.771578		0.532766	0.641250	
MEO	0.718726	0.910133		0.867695	0.718726	
PBO	0.475977	0.503133		0.438183	0.475978	
PD	0.600182	0.817993		0.675866	0.600182	
REO	0.931223	0.964387		0.926143	0.931223	
SNO	0.689191	0.815797		0.551445	0.689191	
UAV	0.595052	0.745583		0.321737	0.595052	
UTO	0.634283	0.776187		0.423647	0.634283	

Latent Variable Correlations

	ATO	COO	EGO	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO	1.000000												
COO	-0.261291	1.000000											
EGO	0.103854	-0.070961	1.000000										
IND	0.331547	-0.158583	0.139925	1.000000									
INO	0.821721	-0.246851	0.195719	0.339258	1.000000								
MAS	-0.317956	0.124552	-0.133332	-0.300321	-0.350056	1.000000							
MEO	-0.785257	0.295974	-0.163958	-0.282416	-0.774739	0.242410	1.000000						
PBO	-0.288226	0.157849	0.106515	-0.139295	-0.182779	0.056011	0.168400	1.000000					
PD	0.189749	-0.076693	0.095832	0.041301	0.208951	-0.093231	-0.228329	0.136153	1.000000				
REO	-0.539641	0.241380	-0.052805	-0.239093	-0.463534	0.175257	0.486479	0.228944	0.032050	1.000000			
SNO	0.645428	-0.249835	0.124355	0.279511	0.610603	-0.145762	-0.626207	-0.265631	0.124721	-0.541913	1.000000		
UAV	-0.116196	0.078260	-0.219022	-0.230497	-0.199649	0.071085	0.200516	0.033824	0.150365	0.134348	0.039977	1.000000	
UTO	-0.411622	0.172597	0.197273	-0.269917	-0.328961	0.227664	0.376534	0.169136	-0.210673	0.309956	-0.270702	0.089242	1.000000

Cross Loadings

	ATO	COO	EGO	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO1R	0.835452	-0.292826	0.122363	0.288390	0.747731	-0.209934	-0.739177	-0.257092	0.244638	-0.473050	0.604521	0.019063	-0.281874
ATO2	0.789482	-0.116791	0.006518	0.139771	0.521199	-0.188297	-0.490150	-0.300153	-0.017164	-0.447632	0.495464	-0.047402	-0.326350
ATO3	0.860184	-0.212399	0.106639	0.360094	0.734986	-0.374649	-0.682934	-0.179866	0.194014	-0.426286	0.498750	-0.249541	-0.416182
COO1R	-0.271941	0.977701	-0.077337	-0.150174	-0.254179	0.112228	0.315096	0.173283	-0.121808	0.214396	-0.270194	0.022213	0.167483
COO2R	-0.235272	0.971543	-0.059964	-0.159565	-0.225352	0.131775	0.258538	0.131979	-0.021696	0.258876	-0.213478	0.137282	0.169113
EGO1R	0.091741	-0.041283	0.486118	0.117092	0.097927	0.017192	-0.149763	0.001054	-0.076645	-0.302855	0.172947	-0.210583	-0.023408
EGO2	0.064686	-0.056816	0.857062	0.090993	0.166102	-0.162622	-0.099218	0.121196	0.154787	0.118161	0.040256	-0.126335	0.239413
IND1R	0.228362	-0.171612	0.000877	0.753005	0.197498	-0.105970	-0.186034	-0.207945	-0.008430	-0.214999	0.335478	-0.058720	-0.250352
IND3	0.319602	-0.117423	0.189146	0.927476	0.347589	-0.346822	-0.277063	-0.070637	0.060766	-0.201888	0.188213	-0.279035	-0.223578
INO1R	0.757749	-0.219232	0.215059	0.353292	0.907754	-0.358680	-0.727305	-0.164378	0.276780	-0.361140	0.509464	-0.210128	-0.275530
INO2	0.567714	-0.278373	0.127257	0.178889	0.757576	-0.301581	-0.489571	-0.127107	0.105549	-0.399906	0.528290	0.005487	-0.246664
INO3R	0.749628	-0.153958	0.148811	0.308931	0.877686	-0.238110	-0.727344	-0.170429	0.132705	-0.432184	0.533414	-0.261580	-0.314407
MAS2	-0.068448	0.155626	-0.119943	-0.236520	-0.116838	0.590390	0.053262	-0.019911	-0.096537	0.043979	-0.021736	0.011427	0.031354
MAS4	-0.345256	0.094226	-0.115725	-0.271375	-0.366902	0.966406	0.262880	0.071001	-0.076886	0.188314	-0.161347	0.078422	0.252834
MEO1	-0.738289	0.260260	-0.188111	-0.310298	-0.752152	0.308819	0.899985	0.117660	-0.260336	0.368615	-0.512266	0.272942	0.332070
MEO2	-0.791712	0.288532	-0.125374	-0.205090	-0.759190	0.241793	0.941281	0.181123	-0.263067	0.502116	-0.603489	0.137749	0.378586

MEO3	-0.520029	0.257189	-0.218431	-0.282359	-0.525412	0.169510	0.797749	0.142267	-0.085330	0.308042	-0.436052	0.242586	0.293658
MEO4	-0.564112	0.192147	-0.020162	-0.159920	-0.542334	0.056888	0.736557	0.131716	-0.118520	0.469975	-0.574249	0.010768	0.259464
PBO1	-0.282402	0.141084	0.161800	-0.109199	-0.167132	0.034986	0.146759	0.974067	0.135580	0.232181	-0.260329	0.025894	0.199701
PBO2	-0.023460	-0.047060	0.262120	0.109046	0.037875	-0.083228	-0.066773	0.056110	0.020690	0.053327	-0.021905	-0.029223	0.163722
PD1	0.105493	0.010038	0.063513	-0.073339	0.143209	-0.064574	-0.177747	0.219713	0.762299	0.186860	-0.007863	0.104958	-0.184623
PD2	0.191933	-0.149919	0.051695	0.127864	0.192784	-0.145509	-0.171694	0.000402	0.738277	-0.114143	0.182587	0.074963	-0.118284
PD3	0.122855	-0.001548	0.116566	0.005664	0.133096	0.027513	-0.179011	0.132095	0.821214	0.051156	0.082086	0.186096	-0.201111
REO1	-0.543322	0.249143	-0.050375	-0.287050	-0.446409	0.180248	0.472395	0.194975	0.013646	0.964856	-0.514746	0.157154	0.318349
REO2	-0.498275	0.216786	-0.051536	-0.174624	-0.448208	0.158043	0.466521	0.246782	0.048142	0.965142	-0.531111	0.102248	0.279943
SNO1R	0.586981	-0.189773	0.103835	0.305315	0.546195	-0.189209	-0.491904	-0.293043	0.110876	-0.518285	0.860218	0.003355	-0.308682
SNO2	0.478233	-0.229265	0.103060	0.146828	0.463177	-0.041202	-0.555495	-0.136129	0.095422	-0.371527	0.799005	0.068539	-0.126883
UAV1	-0.091563	-0.024470	-0.169264	-0.219810	-0.165567	0.053739	0.153519	-0.039213	0.035908	0.110990	0.081084	0.811428	0.061873
UAV3	-0.087914	0.160072	-0.169606	-0.129691	-0.141401	0.056448	0.156966	0.102713	0.210459	0.095650	-0.027808	0.729170	0.077413
UTO1	-0.310360	0.057491	0.339624	-0.114978	-0.268311	0.114364	0.265820	0.129525	-0.203085	0.313889	-0.200185	-0.001759	0.807578
UTO2R	-0.346329	0.221512	-0.034483	-0.320084	-0.255485	0.251721	0.335798	0.140209	-0.130795	0.176579	-0.231882	0.147599	0.785101

Outer Loadings

	ATO	COO	EGO	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO1R	0.835452												
ATO2	0.789482												
ATO3	0.860184												
COO1R		0.977701											
COO2R		0.971543											
EGO1R			0.486118										
EGO2			0.857062										
IND1R				0.753005									
IND3				0.927476									
INO1R					0.907754								
INO2					0.757576								
INO3R					0.877686								
MAS2						0.966390							
MAS4						0.811406							
MEO1							0.899985						
MEO2							0.941281						

MEO3							0.797749						
MEO4							0.736557						
PBO1								0.974067					
PBO2								0.056110					
PD1									0.762299				
PD2									0.738277				
PD3									0.821214				
REO1										0.964856			
REO2										0.965142			
SNO1R											0.860218		
SNO2											0.799005		
UAV1												0.808428	
UAV3												0.785170	
UTO1													0.807578
UTO2R													0.785101

Bootstrapping for overstating tax expense scenario (revised model) – New Zealand

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Outer Model T-Statistic

	ATO	COO	EGO	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO1R	32.254885												
ATO2	14.536983												
ATO3	30.081746												
COO1R		19.572455											
COO2R		15.270520											
EGO1R			1.710375										
EGO2			3.518439										
IND1R				4.66881									
IND3				15.0466									
INO1R					45.414151								
INO2					12.108791								
INO3R					26.640641								
MAS2						17.50946							
MAS4						2.825574							
MEO1							26.594639						
MEO2							70.899124						

MEO3							8.754612						
MEO4							10.09949						
PBO1								3.94922					
PBO2								0.24010					
PD1									3.346791				
PD2									3.201792				
PD3									4.158887				
REO1										104.287784			
REO2										89.637769			
SNO1R											22.455078		
SNO2											13.244797		
UAV1												2.825480	
UAV3												2.535100	
UTO1													7.223108
UTO2R													5.9158116

PLS algorithm for understating income scenario (revised model) - Malaysia

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PLS Quality Criteria

Overview

	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality	Redundancy
ATU	0.729590	0.889980		0.816972	0.729590	
COU	0.962519	0.980902		0.961063	0.962519	
EGU	0.484000	0.516315		-0.283484	0.483999	
IND	0.469862	0.639325		-0.128288	0.469862	
INU	0.720635	0.885254	0.709067	0.805195	0.720635	0.390329
MAS	0.609574	0.757430		0.359538	0.609574	
MEU	0.800757	0.941245		0.916439	0.800757	
PBU	0.631755	0.756700		0.691391	0.631757	
PD	0.683169	0.806533		0.608215	0.683169	
REU	0.892317	0.943094		0.879404	0.892317	
SNU	0.629776	0.772610		0.413586	0.629776	
UAV	0.484997	0.639180		-0.069912	0.484997	
UTU	0.585830	0.738830		0.293022	0.585830	

Latent Variable Correlations

	ATU	COU	EGU	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU	1.000000												
COU	-0.461510	1.000000											
EGU	-0.243433	0.286914	1.000000										
IND	0.217161	-0.165112	-0.181376	1.000000									
INU	0.797732	-0.397198	-0.255522	0.230136	1.000000								
MAS	-0.261785	0.138264	-0.079206	-0.313585	-0.208268	1.000000							
MEU	-0.740645	0.468519	0.285010	-0.213411	-0.734277	0.216081	1.000000						
PBU	-0.272096	0.073303	-0.198858	0.246927	-0.206115	-0.058608	0.111856	1.000000					
PD	0.250370	-0.068157	-0.163231	0.094468	0.293829	0.112188	-0.376721	-0.036919	1.000000				
REU	-0.471411	0.210965	0.014114	-0.087248	-0.399590	0.193965	0.608355	0.117268	-0.201734	1.000000			
SNU	0.607057	-0.342362	-0.207046	0.028073	0.591191	-0.208416	-0.614173	-0.231483	0.204743	-0.597056	1.000000		
UAV	-0.215107	0.270056	-0.081879	-0.334922	-0.230460	0.144794	0.125184	-0.087795	0.031638	0.051214	-0.118032	1.000000	
UTU	-0.608015	0.262189	0.263666	-0.050375	-0.505756	0.153405	0.513200	0.311312	-0.166309	0.365656	-0.489082	0.004323	1.000000

Cross Loadings

	ATU	COU	EGU	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU1R	0.826647	-0.383718	-0.245420	0.278065	0.785722	-0.262642	-0.814789	-0.128998	0.276726	-0.585445	0.577146	-0.272925	-0.499259
ATU2	0.878655	-0.390228	-0.137173	0.096824	0.615152	-0.160621	-0.506207	-0.321707	0.210736	-0.303648	0.430405	-0.136318	-0.539296
ATU3	0.856383	-0.407859	-0.229040	0.153634	0.606584	-0.234674	-0.518533	-0.273482	0.133436	-0.262264	0.526747	-0.114451	-0.519906
COU1R	-0.465723	0.981450	0.300821	-0.126171	-0.393415	0.147875	0.485794	0.096716	-0.060944	0.213028	-0.363368	0.241349	0.293996
COU2R	-0.439584	0.980711	0.261776	-0.198506	-0.385882	0.123184	0.433009	0.046632	-0.072907	0.200802	-0.307867	0.289008	0.219745
EGU1R	-0.220305	0.321440	0.981512	-0.217239	-0.245113	-0.073098	0.230082	-0.217258	-0.157516	-0.041633	-0.185121	-0.075474	0.227754
EGU2	-0.113670	-0.188088	0.068070	0.192067	-0.047025	-0.029601	0.278250	0.101536	-0.025171	0.290182	-0.108423	-0.031071	0.179731
IND1R	0.119013	-0.125719	-0.284627	0.688189	0.158306	-0.084372	-0.110180	0.161638	-0.039477	0.077496	0.002374	-0.298778	-0.042803
IND3	0.178913	-0.100551	0.037107	0.682730	0.157193	-0.346459	-0.182649	0.176938	0.169725	-0.198080	0.036231	-0.159888	-0.026199
INU1R	0.758569	-0.270030	-0.235344	0.168117	0.902602	-0.150006	-0.692155	-0.269233	0.296980	-0.394166	0.562189	-0.236240	-0.477848

INU2	0.642098	-0.468915	-0.338407	0.181605	0.787798	-0.170093	-0.541836	-0.065811	0.114814	-0.270903	0.456770	-0.103506	-0.381292
INU3R	0.621960	-0.297083	-0.084389	0.242443	0.852402	-0.216560	-0.625505	-0.167961	0.321927	-0.342176	0.478703	-0.236062	-0.421995
MAS2	-0.169582	0.116425	-0.061591	-0.389928	-0.161200	0.776437	0.178625	-0.076819	-0.003051	0.184819	-0.247715	0.058362	0.082265
MAS4	-0.238616	0.099626	-0.062090	-0.102228	-0.163998	0.785043	0.158966	-0.015230	0.176692	0.118637	-0.079188	0.166808	0.156646
MEU1	-0.701091	0.395122	0.324884	-0.138188	-0.701545	0.203938	0.926539	0.150967	-0.402609	0.479335	-0.526194	0.029145	0.533400
MEU2	-0.735945	0.445846	0.349946	-0.207497	-0.733758	0.268514	0.954301	0.126273	-0.329309	0.497623	-0.606661	0.108206	0.587629
MEU3	-0.669371	0.486409	0.170772	-0.244594	-0.648381	0.204803	0.877247	0.079942	-0.352659	0.523283	-0.492504	0.156154	0.332661
MEU4	-0.517601	0.342031	0.138630	-0.177326	-0.517580	0.063628	0.815047	0.022111	-0.249464	0.740731	-0.587504	0.177653	0.348288
PBU1	-0.270164	0.065775	-0.202012	0.248077	-0.203874	-0.060498	0.109694	0.999851	-0.036095	0.118031	-0.231676	-0.088785	0.311339
PBU3	-0.045620	-0.336394	-0.260516	0.185851	0.004096	-0.124564	-0.049314	0.513622	0.021795	0.099037	-0.130208	-0.095048	0.163536
PD2	0.144460	-0.205300	-0.091915	-0.009482	0.111627	0.067609	-0.180234	-0.085940	0.661791	-0.147036	0.109364	-0.011922	-0.147544
PD3	0.248816	-0.008481	-0.163028	0.116726	0.312679	0.110465	-0.387638	-0.013614	0.963519	-0.189545	0.206604	0.042215	-0.146861
REU1	-0.407548	0.170903	-0.030677	-0.039574	-0.367317	0.228226	0.533207	0.097608	-0.132150	0.941626	-0.530165	0.101100	0.296590

REU2	-0.481198	0.226239	0.055089	-0.123077	-0.387146	0.140555	0.614093	0.123284	-0.246014	0.947614	-0.596177	-0.001637	0.391778
SNU1R	0.479438	-0.243058	-0.013147	0.018763	0.496897	-0.144308	-0.588648	-0.189055	0.282200	-0.638315	0.821651	-0.147815	-0.318240
SNU2	0.485973	-0.304984	-0.335813	0.026328	0.439356	-0.189796	-0.374512	-0.178260	0.027626	-0.289350	0.764488	-0.032742	-0.468463
UAV1	-0.124810	0.216309	-0.233536	-0.236414	-0.192937	0.309518	0.118662	-0.089417	0.024223	0.109130	-0.105668	0.845221	0.035134
UAV4R	-0.200779	0.155820	0.223906	-0.244668	-0.119504	-0.228918	0.042537	-0.019828	0.020061	-0.080408	-0.050138	0.505564	-0.048639
UTU1	-0.508104	-0.001438	0.106762	-0.020839	-0.388136	0.199774	0.472336	0.245837	-0.176729	0.462947	-0.436488	-0.044245	0.766839
UTU2R	-0.422413	0.403879	0.297365	-0.056369	-0.386067	0.034617	0.312843	0.230678	-0.077592	0.095817	-0.311864	0.051117	0.763949

Outer Loadings

	ATU	COU	EGU	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU1R	0.826647												
ATU2	0.878655												
ATU3	0.856383												
COU1R		0.981450											
COU2R		0.980711											
EGU1R			0.981512										
EGU2			0.068070										
IND1R				0.688189									
IND3				0.682730									
INU1R					0.902602								
INU2					0.787798								
INU3R					0.852402								
MAS2						0.776437							
MAS4						0.785043							
MEU1							0.926539						
MEU2							0.954301						

MEU3							0.877247						
MEU4							0.815047						
PBU1								0.999851					
PBU3								0.513622					
PD2									0.661791				
PD3									0.963519				
REU1										0.941626			
REU2										0.947614			
SNU1R											0.821651		
SNU2											0.764488		
UAV1												0.845221	
UAV4R												0.505564	
UTU1													0.766839
UTU2R													0.763949

Outer Model (Weights or Loadings)

	ATU	COU	EGU	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU1R	0.826647												
ATU2	0.878655												
ATU3	0.856383												
COU1R		0.981450											
COU2R		0.980711											
EGU1R			0.981512										
EGU2			0.068070										
IND1R				0.688189									
IND3				0.682730									
INU1R					0.902602								
INU2					0.787798								
INU3R					0.852402								
MAS2						0.776437							
MAS4						0.785043							
MEU1							0.926539						
MEU2							0.954301						

MEU3							0.877247						
MEU4							0.815047						
PBU1								0.999851					
PBU3								0.513622					
PD2									0.661791				
PD3									0.963519				
REU1										0.941626			
REU2										0.947614			
SNU1R											0.821651		
SNU2											0.764488		
UAV1												0.845221	
UAV4R												0.505564	
UTU1													0.766839
UTU2R													0.763949

Bootstrapping for understating income scenario (revised model) - Malaysia

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Outer Model T-Statistic

	ATU	COU	EGU	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU1R	26.5382												
ATU2	23.9935												
ATU3	18.3863												
COU1R		113.1856											
COU2R		140.6366											
EGU1R			4.6876										
EGU2			0.2536										
IND1R				2.4109									
IND3				2.3998									
INU1R					53.3002								
INU2					10.4425								
INU3R					15.6706								
MAS2						3.4162							
MAS4						3.1964							
MEU1							36.57690						
MEU2							82.51710						

MEU3							19.8692						
MEU4							13.9111						
PBU1								3.8861					
PBU3								1.9079					
PD2									3.4968				
PD3									11.2228				
REU1										21.6578			
REU2										56.0294			
SNU1R											8.78972		
SNU2											7.1000		
UAV1												3.4197	
UAV4R												1.7482	
UTU1													5.9934
UTU2R													5.3213

PLS algorithm for understating income scenario (revised model) – New Zealand

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PLS Quality Criteria

Overview

	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality	Redundancy
ATU	0.544719	0.780392		0.620449	0.544719	
COU	0.970744	0.985155		0.970035	0.970744	
EGU	0.538420	0.685323		0.167169	0.538420	
IND	0.694425	0.815471		0.622944	0.694425	
INU	0.666327	0.856814	0.651200	0.752795	0.666327	0.260471
MAS	0.641588	0.771928		0.532766	0.641589	
MEU	0.669510	0.889060		0.840028	0.669510	
PBU	0.504910	0.551966		0.245333	0.504910	
PD	0.509211	0.588839		0.498284	0.509212	
REU	0.879828	0.936045		0.866886	0.879828	
SNU	0.690950	0.815819		0.570554	0.690950	
UAV	0.502826	0.594326		0.025466	0.502826	
UTU	0.610020	0.756727		0.366099	0.610020	

Latent Variable Correlations

	ATU	COU	EGU	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU	1.000000												
COU	-0.233963	1.000000											
EGU	-0.038511	0.047230	1.000000										
IND	0.243949	-0.137172	0.119422	1.000000									
INU	0.669602	-0.308039	0.162876	0.336035	1.000000								
MAS	-0.211308	-0.002768	-0.198940	-0.317270	-0.285554	1.000000							
MEU	-0.495845	0.320154	-0.203165	-0.296487	-0.618145	0.202915	1.000000						
PBU	0.175785	-0.276756	0.000550	0.146973	0.315702	-0.108624	-0.112267	1.000000					
PD	0.094708	-0.194443	0.093782	0.122286	0.153728	-0.155521	-0.304790	0.052940	1.000000				
REU	-0.324339	0.246482	0.038799	-0.263058	-0.238297	0.222997	0.368142	-0.074280	-0.138232	1.000000			
SNU	0.390328	-0.238728	0.030420	0.276476	0.249277	-0.223369	-0.237366	0.064479	0.120397	-0.322523	1.000000		
UAV	-0.082699	-0.007165	-0.110806	-0.235103	-0.269848	0.012944	0.139726	-0.208293	-0.045968	0.071202	0.137613	1.000000	
UTU	-0.461483	0.126568	0.179856	-0.225794	-0.364343	0.308425	0.207235	-0.058496	-0.168346	0.233679	-0.351977	0.070823	1.000000

Cross Loadings

	ATU	COU	EGU	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU1R	0.791230	-0.324334	-0.019369	0.238532	0.592331	-0.087138	-0.535300	0.185862	0.055965	-0.299112	0.326729	-0.046466	-0.237294
ATU2	0.630332	-0.059935	-0.194138	0.036933	0.201494	-0.110506	-0.046094	-0.011114	0.127105	-0.255065	0.385404	0.133000	-0.332683
ATU3	0.781532	-0.062162	0.021382	0.184293	0.537115	-0.261941	-0.329806	0.131533	0.069652	-0.187638	0.233042	-0.154998	-0.485973
COU1R	-0.253944	0.987504	0.048954	-0.145942	-0.324745	0.001608	0.330081	-0.277241	-0.189495	0.247378	-0.238623	-0.021655	0.136406
COU2R	-0.203318	0.983017	0.043734	-0.122635	-0.278871	-0.007776	0.298498	-0.267464	-0.194074	0.237666	-0.231322	0.009935	0.111121
EGU1R	0.019695	0.063226	0.519778	0.073377	0.077253	-0.056292	-0.199079	-0.000445	0.131697	-0.150478	0.131661	0.009600	0.099816
EGU2	-0.055028	0.022514	0.898148	0.101441	0.150099	-0.202926	-0.134361	0.000871	0.041537	0.122675	-0.032304	-0.134104	0.158279
IND1R	0.057310	-0.133025	0.044621	0.683051	0.136694	-0.106015	-0.131610	0.057249	0.159180	-0.269791	0.234288	-0.085066	-0.214852
IND3	0.276003	-0.116724	0.128792	0.960360	0.358147	-0.346944	-0.311797	0.157613	0.088564	-0.218239	0.248173	-0.254608	-0.193705
INU1R	0.579826	-0.189762	0.250406	0.360160	0.843001	-0.324021	-0.588631	0.307098	0.097965	-0.137925	0.128243	-0.379914	-0.261268
INU2	0.492875	-0.377314	0.090411	0.175427	0.777708	-0.192471	-0.407948	0.206950	0.162726	-0.174462	0.249989	-0.109016	-0.368455

INU3R	0.560157	-0.214547	0.022810	0.259820	0.826741	-0.156452	-0.492706	0.244600	0.127079	-0.288685	0.258781	-0.121595	-0.279893
MAS2	0.018099	0.063678	-0.250442	-0.249220	-0.095933	0.591589	0.129153	0.126269	-0.170398	0.014925	-0.022629	0.056435	0.113605
MAS4	-0.250004	-0.023612	-0.149624	-0.286767	-0.299252	0.966023	0.193100	-0.166012	-0.125106	0.252926	-0.250886	-0.003132	0.320019
MEU1	-0.407936	0.236324	-0.291320	-0.342799	-0.653925	0.248085	0.858140	-0.161346	-0.218286	0.238807	-0.125392	0.283027	0.201632
MEU2	-0.330322	0.260383	-0.048252	-0.159847	-0.372600	0.058254	0.819511	-0.035641	-0.253177	0.320237	-0.168111	0.047234	0.117938
MEU3	-0.516568	0.316415	-0.197106	-0.256026	-0.571849	0.225658	0.903174	-0.084261	-0.329383	0.362854	-0.250595	0.091504	0.180160
MEU4	-0.336053	0.252765	0.007841	-0.127511	-0.277801	0.020329	0.674028	-0.033524	-0.191349	0.342295	-0.305192	-0.128156	0.167698
PBU1	-0.224971	0.025854	0.065985	0.094681	-0.011044	-0.033804	0.044475	0.105091	0.080380	0.133302	-0.147766	-0.116015	0.055763
PBU3	0.167113	-0.274654	0.002869	0.149671	0.313953	-0.109345	-0.110219	0.999388	0.055540	-0.069271	0.059003	-0.211477	-0.056282
PD2	0.100227	-0.176421	0.087239	0.120171	0.144886	-0.145649	-0.296198	0.037851	0.990029	-0.124574	0.121032	-0.032171	-0.175561
PD3	0.063522	0.073934	-0.020697	0.017686	-0.020811	0.027509	-0.020964	-0.091018	0.195616	0.058448	0.036329	0.083876	-0.094847
REU1	-0.351732	0.238206	0.042441	-0.273100	-0.254060	0.223398	0.352326	-0.084525	-0.132574	0.958116	-0.287305	0.070017	0.234769
REU2	-0.240622	0.223284	0.028277	-0.212075	-0.182851	0.191049	0.338296	-0.049590	-0.126633	0.917426	-0.326055	0.062825	0.199271

SNU1R	0.236782	-0.116175	0.003374	0.193924	0.155023	-0.203949	-0.147112	0.026551	0.019859	-0.242179	0.746764	0.148147	-0.316100
SNU2	0.388851	-0.255879	0.039810	0.258910	0.245934	-0.179378	-0.234501	0.072155	0.153461	-0.291974	0.907879	0.096329	-0.285983
UAV1	-0.071344	-0.024722	-0.119802	-0.228245	-0.264011	0.053850	0.129004	-0.192332	-0.012922	0.093807	0.145293	0.975821	0.082807
UAV4R	-0.060756	0.077267	0.026359	-0.059566	-0.059311	-0.180483	0.064983	-0.096771	-0.152775	-0.091827	-0.017189	0.231140	-0.044599
UTU1	-0.374015	-0.040683	0.320580	-0.025580	-0.248540	0.130130	0.106459	-0.057412	-0.167871	0.148163	-0.205633	-0.007866	0.719784
UTU2R	-0.353733	0.209682	0.000383	-0.296872	-0.316036	0.330656	0.207211	-0.036971	-0.104320	0.211539	-0.332419	0.105613	0.837825

Outer Loadings

	ATU	COU	EGU	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU1R	0.791230												
ATU2	0.630332												
ATU3	0.781532												
COU1R		0.987504											
COU2R		0.983017											
EGU1R			0.519778										
EGU2			0.898148										
IND1R				0.683051									
IND3				0.960360									
INU1R					0.843001								
INU2					0.777708								
INU3R					0.826741								
MAS2						0.591589							
MAS4						0.966023							

MEU1							0.858140						
MEU2							0.819511						
MEU3							0.903174						
MEU4							0.674028						
PBU1								0.105091					
PBU3								0.999388					
PD2									0.990029				
PD3									0.195616				
REU1										0.958116			
REU2										0.917426			
SNU1R											0.746764		
SNU2											0.907879		
UAV1												0.975821	
UAV4R												0.231140	
UTU1													0.719784
UTU2R													0.837825

Outer weights or loadings

	ATU	COU	EGU	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU1R	0.791230												
ATU2	0.630332												
ATU3	0.781532												
COU1R		0.987504											
COU2R		0.983017											
EGU1R			0.519778										
EGU2			0.898148										
IND1R				0.683051									
IND3				0.960360									
INU1R					0.843001								
INU2					0.777708								
INU3R					0.826741								
MAS2						0.591589							
MAS4						0.966023							

MEU1							0.858140						
MEU2							0.819511						
MEU3							0.903174						
MEU4							0.674028						
PBU1								0.105091					
PBU3								0.999388					
PD2									0.990029				
PD3									0.195616				
REU1										0.958116			
REU2										0.917426			
SNU1R											0.746764		
SNU2											0.907879		
UAV1												0.975821	
UAV4R												0.231140	
UTU1													0.719784
UTU2R													0.837825

Bootstrapping for understating income scenario (revised model) – New Zealand

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Outer Model T-Statistic

	ATU	COU	EGU	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU1R	13.765991												
ATU2	6.726457												
ATU3	12.741660												
COU1R		199.130520											
COU2R		91.144979											
EGU1R			1.886234										
EGU2			3.931943										
IND1R				3.926299									
IND3				24.225172									
INU1R					17.580146								
INU2					12.270185								
INU3R					15.843830								
MAS2						2.335924							
MAS4						9.285640							

MEU1							16.585650						
MEU2							6.718003						
MEU3							18.368364						
MEU4							4.624730						
PBU1								0.547014					
PBU3								9.159642					
PD2									4.048575				
PD3									0.688607				
REU1										18.394794			
REU2										10.892945			
SNU1R											4.792238		
SNU2											12.982682		
UAV1												6.805834	
UAV4R												0.967578	
UTU1													5.050600
UTU2R													10.320005

PLS algorithm for second order factor and structural models for overstating tax expense scenario – Malaysia

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Path Coefficients

	ATO	COO	CUL	EGO	ES	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO							0.664097								
COO					0.189737										
CUL							0.023597								
EGO					0.074819										
ES							-0.164381								
IND			-0.328162												
INO															
MAS			0.392061												
MEO					0.595538										
PBO							0.056057								
PD			0.638304												
REO					0.245258										
SNO							0.125282								
UAV			0.302449												
UTO					0.166836										

Bootstrapping for second order factor and structural models for overstating tax expense scenario – Malaysia

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PLS Quality Criteria

Overview

	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality	Redundancy
ATO	0.831853	0.936874		0.899142	0.831853	
COO	0.977576	0.988661		0.977064	0.977576	
CUL	0.197347	0.051786	0.999467	0.087092	0.197347	0.056929
EGO	0.515869	0.664739		0.071925	0.515869	
ES	0.434372	0.892911	0.999977	0.865132	0.434372	0.075433
IND	0.486858	0.568023		-0.128288	0.486857	
INO	0.814119	0.929273	0.776502	0.885818	0.814119	0.576934
MAS	0.601057	0.746006		0.359538	0.601058	
MEO	0.789085	0.937219		0.909926	0.789085	
PBO	0.539945	0.673414		0.203867	0.539945	
PD	0.576154	0.801994		0.628208	0.576154	
REO	0.901223	0.948045		0.890406	0.901223	
SNO	0.630961	0.766836		0.466314	0.630961	
UAV	0.527715	0.688147		0.107917	0.527715	
UTO	0.616747	0.762948		0.378590	0.616747	

Inner Model T-Statistic

	ATO	COO	CUL	EGO	ES	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO							7.76563								
COO					4.06358										
CUL							0.54841								
EGO					2.78512										
ES							1.94561								
IND			3.44												
INO															
MAS			2.86												
MEO					11.5380										
PBO							1.30682								
PD			2.70												
REO					8.07537										
SNO							1.58059								
UAV			3.20												
UTO					7.37929										

PLS algorithm for second order factor and structural models for overstating tax expense scenario – New Zealand

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PLS Quality Criteria

Overview

	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality	Redundancy
ATO	0.687087	0.868060		0.775300	0.687087	
COO	0.950050	0.974385		0.947444	0.950050	
CUL	0.217225	0.058421	0.999376	0.267062	0.217225	0.115165
EGO	0.497337	0.526870		-0.069556	0.497337	
ES	0.355294	0.823224	0.999704	0.766930	0.355294	0.056738
IND	0.719415	0.836032		0.622944	0.719415	
INO	0.723221	0.886360	0.717101	0.807445	0.723221	0.441897
MAS	0.681299	0.810393		0.532766	0.681299	
MEO	0.719773	0.910773		0.867695	0.719773	
PBO	0.474716	0.499807		0.438183	0.474716	
PD	0.586795	0.809523		0.675866	0.586793	
REO	0.931218	0.964384		0.926143	0.931218	
SNO	0.689192	0.815798		0.551445	0.689192	
UAV	0.557726	0.683405		0.321737	0.557728	
UTO	0.633905	0.775763		0.423647	0.633905	

Path Coefficients

	ATO	COO	CUL	EGO	ES	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO							0.575911								
COO					0.194453										
CUL							0.116854								
EGO					0.050618										
ES							-0.192223								
IND			0.548065												
INO															
MAS			0.490442												
MEO					0.654407										
PBO							0.059367								
PD			0.387585												
REO					0.299555										
SNO							0.097236								
UAV			0.186410												
UTO					0.142383										

Bootstrapping for second order factor and structural models for overstating tax expense scenario – New Zealand

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Inner Model T- Statistic

	ATO	COO	CUL	EGO	ES	IND	INO	MAS	MEO	PBO	PD	REO	SNO	UAV	UTO
ATO							6.276476								
COO					4.188292										
CUL							1.712842								
EGO					2.016393										
ES							2.079796								
IND			3.790446												
INO															
MAS			4.245451												
MEO					14.350930										
PBO							1.522954								
PD			1.818727												
REO					9.615902										
SNO							1.552824								
UAV			1.854711												
UTO					5.005469										

PLS algorithm for second order factor and structural models for understating income scenario – Malaysia

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PLS Quality Criteria

Overview

	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality	Redundancy
ATU	0.729693	0.890029		0.816972	0.729693	
COU	0.962459	0.980871		0.961063	0.962459	
CUL	0.214066	0.010426	0.999289	-0.050904	0.214066	0.089618
EGU	0.438342	0.608487		-0.283484	0.438342	
ES	0.429436	0.890119	0.999819	0.858551	0.429436	0.094249
IND	0.488850	0.557387		-0.128288	0.488850	
INU	0.720718	0.885354	0.670456	0.805195	0.720718	0.420447
MAS	0.601373	0.746440		0.359538	0.601373	
MEU	0.801278	0.941491		0.916439	0.801278	
PBU	0.626581	0.751675		0.691391	0.626581	
PD	0.717715	0.835565		0.608215	0.717715	
REU	0.892029	0.942931		0.879404	0.892029	
SNU	0.629851	0.772695		0.413586	0.629851	
UAV	0.508717	0.322382		-0.069912	0.508717	
UTU	0.584244	0.736295		0.293022	0.584244	

Path Coefficients

	ATU	COU	CUL	EG	ES	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UA	UTU
ATU							0.572541								
COU					0.227269										
CUL							-0.053819								
EGU					0.065310										
ES							-0.189093								
IND			0.408370												
INU															
MAS			0.545654												
MEU					0.608988										
PBU							-0.004306								
PD			-0.285547												
REU					0.221407										
SNU							0.101959								
UAV			0.329494												
UTU					0.150929										

Bootstrapping for second order factor and structural models for understating income scenario – Malaysia

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Inner Model T-Statistic

	ATU	COU	CUL	EGU	ES	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU							4.704148								
COU					5.430726										
CUL							0.891708								
EGU					2.369549										
ES							1.657514								
IND			4.375407												
INU															
MAS			4.454106												
MEU					15.578184										
PBU							0.105695								
PD			1.440995												
REU					6.351521										
SNU							1.264282								
UAV			3.476244												
UTU					5.269384										

PLS algorithm for second order factor and structural models for understating income scenario – New Zealand

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PLS Quality Criteria

Overview

	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality	Redundancy
ATU	0.545450	0.780986		0.620449	0.545450	
COU	0.970898	0.985234		0.970035	0.970898	
CUL	0.243222	0.012016	0.999432	-0.051085	0.243222	0.148981
EGU	0.522270	0.629601		0.167169	0.522270	
ES	0.315250	0.794275	0.999273	0.736232	0.315250	0.084497
IND	0.722184	0.838229		0.622944	0.722184	
INU	0.668122	0.857848	0.581743	0.752795	0.668122	0.274220
MAS	0.681488	0.810564		0.532766	0.681488	
MEU	0.678645	0.893675		0.840028	0.678645	
PBU	0.503922	0.548182		0.245333	0.503922	
PD	0.600870	0.728466		0.498284	0.600868	
REU	0.882518	0.937593		0.866886	0.882518	
SNU	0.690833	0.815717		0.570554	0.690833	
UAV	0.497318	0.370471		0.025466	0.497318	
UTU	0.593477	0.734163		0.366099	0.593477	

Path Coefficients

	ATU	COU	CUL	EGU	ES	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU							0.484993								
COU					0.295109										
CUL							0.161393								
EGU					0.053772										
ES							-0.282935								
IND			0.598517												
INU															
MAS			-0.502688												
MEU					0.662647										
PBU							0.162176								
PD			0.191699												
REU					0.261472										
SNU							-0.094671								
UAV			-0.211635												
UTU					0.140640										

Bootstrapping for second order factor and structural models for understating income scenario – New Zealand

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Inner Model T-Statistic

	ATU	COU	CUL	EGU	ES	IND	INU	MAS	MEU	PBU	PD	REU	SNU	UAV	UTU
ATU							5.906430								
COU					6.240079										
CUL							2.748569								
EGU					1.454729										
ES							3.581011								
IND			6.205474												
INU															
MAS			5.814545												
MEU					12.290886										
PBU							1.863370								
PD			2.030104												
REU					7.614010										
SNU							1.616854								
UAV			2.456804												
UTU					4.086740										